CBSE Class XII Economics (Code 030)

Complete Multiple Choice Question Bank

All 8 Units • 1463 Questions • Compiled and curated from multiple regional study sources and sample papers

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Unit 1: National Income and Related Aggregates

270 Questions

Questions

1. ____ = NDPMP + NFIA – NIT
(a) GNPMP
(b) GNPFC
(c) NNPFC
(d) GDPFC

2. The study of Macroeconomics includes:
(a) Theory of Employment
(b) Theory of National Income
(c) Theory of Money
(d) All of these

3. Flow of Goods & Services is:
(a) Real Flow
(b) Money Flow
(c) Interest Flow
(d) None of these

4. Which of these is an example of a Stock Variable?
(a) Income
(b) Money Expenditure
(c) Capital Formation
(d) Wealth

5. Which of the following is NOT a flow variable?
(a) Capital
(b) Income
(c) Investment
(d) Depreciation

6. The withdrawals from the circular flow of income is known as:
(a) Injections
(b) Leakage
(c) Investment
(d) None of these

7. The process of value addition is associated with which phase of the circular flow?
(a) Phase of Expenditure
(b) Phase of Income Generation
(c) Phase of Production
(d) None of these

8. Which sector of the economy is known as the 'Owner of Factors of Production'?
(a) Household Sector
(b) Producer Sector

(c) Government Sector
(d) External Sector

9. Real flow and Money flow have a ____ relationship.
(a) Direct
(b) Inverse
(c) Circular
(d) External

10. 'Consumption of Fixed Capital' is a common term used to indicate:
(a) Revenue
(b) Profits
(c) Interest
(d) Depreciation

11. A thread used by a tailor is an example of:
(a) Intermediate Goods
(b) Final Goods
(c) Capital Goods
(d) Consumer Goods

12. Setting up a factory near a residential area increases ____ but decreases ____.
(a) Welfare, GDP
(b) GDP, welfare
(c) Both (a) and (b)
(d) None of the above

13. Final goods used by producers are known as:
(a) Intermediate Goods
(b) Final Goods
(c) Capital Goods
(d) Consumer Goods

14. Consumer goods that can directly satisfy needs as and when performed are known as:
(a) Durable Goods
(b) Non-Durable Goods
(c) Semi-Durable Goods
(d) Services

15. A change in stock is a part of:
(a) Income
(b) Inventory Investment
(c) Fixed Investment
(d) Depreciation

16. Net Investment = Gross Investment – ____.
(a) Inventories
(b) Intermediate Goods
(c) Depreciation
(d) None of these

17. Which of the following are included in national income?
I. Dress provided by a firm to its employees

II. Selling of a second-hand car
III. Fee paid by parents to schools
(a) Only I
(b) I & II
(c) I & III
(d) All of the above

18. International organizations like WHO, IMF etc. in India are considered as:
(a) Normal Resident of India
(b) Non-Resident of India
(c) Both correct
(d) Both incorrect

19. Incomes of self-employed people that are difficult to segregate by factor are included under the ____ category.
(a) Non-Factor Income
(b) Transfer Income
(c) Mixed Income
(d) Variable Income

20. National Income is the sum of factor incomes accruing to:
(a) Nationals
(b) Economic Territory
(c) Residents
(d) Both Residents and Non-Residents

21. Depreciation of fixed capital assets refers to:
(a) Normal wear & tear
(b) Foreseen/expected obsolescence
(c) Both (a & b)
(d) Unforeseen/unexpected obsolescence

22. Goods purchased for resale are:
(a) Final Goods
(b) Capital Goods
(c) Intermediate Goods
(d) None of these

23. Fall in the value of assets due to expected obsolescence is:
(a) Capital Loss
(b) Depreciation
(c) Shut Down Point
(d) All of these

24. Normal resident of India is:
(a) An official working in Indian embassy in America
(b) Indian visiting Japan as tourist
(c) Indian working in W.H.O. located in India
(d) All of these

25. Salary paid to a worker is an example of:
(a) Transfer Income
(b) Government Revenue
(c) Factor Payment

(d) None of these

26. Aggregate used for domestic income is:
(a) NDPFC
(b) NNPFC
(c) GNPMP
(d) NNPMP

27. A car purchased by a dealer of cars is:
(a) Consumer Goods
(b) Intermediate Goods
(c) Final Goods
(d) None of these

28. The circular flow is of ____ types.
(a) 04
(b) 02
(c) 03
(d) All of these

29. A quantity measured at a point of time is known as a ____ quantity.
(a) Stock
(b) Flow
(c) Variable
(d) Both (a) & (c)

30. Which activity results in value addition?
(a) Consumption
(b) Exchange
(c) Production
(d) Investment

31. The basic economic activity is:
(a) Production
(b) Investment
(c) Consumption
(d) All of these

32. Choose the correct equation:
(a) GDPMP = NNPFC + Depreciation
(b) NDPFC = NNPFC + Net Indirect Taxes
(c) GNPMP = GDPMP + Net Factor Income from Abroad
(d) NNPFC = NDPMP + Depreciation

33. Real GDP will be ____ when nominal GDP is ₹840 and the price index is 120.
(a) ₹7
(b) ₹700
(c) ₹720
(d) ₹960

34. The aggregates of the expenditure method sum up to form:
(a) NNPMP
(b) NNPFC

(c) GDPMP
(d) GNPFC

35. Which type of goods are ready for use by their final users?
(a) Intermediate goods
(b) Final goods
(c) Capital goods
(d) All of the above

36. Which statement is correct?
(a) Market price + Net indirect taxes = Factor cost
(b) Market price – Net indirect taxes = Factor cost
(c) Both (a) and (b)
(d) None of these

37. Which of the following makes GDP an inappropriate index of welfare?
(a) Non-monetary transactions
(b) Externalities
(c) Composition and distribution of GDP
(d) All of these

38. Operating surplus =
(a) Rent+Interest+Profit
(b) COE+Mixed Income of Self-Employed
(c) COE+Rent+Interest+Profit
(d) COE+Rent+Interest+Profit+Mixed Income of Self-Employed

39. Assertion (A): Car purchased by a taxi driver to use as a taxi is an example of a consumer good.
Reason (R): Consumer goods directly satisfy the wants of consumers.
(a) Both A and R true, R is correct explanation of A
(b) Both A and R true, R is not correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

40. Assertion (A): Fees paid to a chartered accountant by a firm is mixed income of self-employed.
Reason (R): It will not be included in national income as it is intermediate expenditure of the firm.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A is true but R is false
(d) A is false but R is true

41. Assertion (A): A final good will not pass through any more stages of production.
Reason (R): It will not undergo further transformation at the hands of a producer, though it may be transformed in consumption.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A is true but R is false
(d) A is false but R is true

42. Assertion (A): Real GDP is a better index of economic growth than nominal GDP.
Reason (R): The index of real GDP always reflects a change in the level of output.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation

(c) A is true but R is false
(d) A is false but R is true

43. Assertion (A): Domestic income is a territorial concept.
Reason (R): Domestic income includes the value of final goods and services in the entire world.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A is true but R is false
(d) A is false but R is true

44. Assertion (A): GDP deflator measures the change in the average price level of all goods and services.
Reason (R): GDP deflator is the ratio of nominal GDP to real GDP of the current year.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A is true but R is false
(d) A is false but R is true

45. Statement 1: Stock variables are measured at a point of time.
Statement 2: Flow variables and Stock variables are the same.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both true
(d) Both false

46. Statement 1: National income is an example of a flow variable.
Statement 2: 'Flow variable' is measured during a period.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both true
(d) Both false

47. Statement 1: Domestic product can be more than national product.
Statement 2: Consumption of fixed capital is added to gross domestic income to obtain national income.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both true
(d) Both false

48. Statement 1: GDP at MP is the difference between GDP at MP and net indirect tax.
Statement 2: GDP at MP is the sum of NDP at MP and depreciation.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both true
(d) Both false

49. Which of the following is a flow variable?
(a) Deposits in a bank
(b) Capital
(c) Depreciation
(d) Wealth

50. Macroeconomics studies the economy in aggregates. Which are the macroeconomic study variables?

(a) Aggregate demand, aggregate supply, individual income, price level
(b) Individual demand, individual supply, national income, price level
(c) Aggregate demand, aggregate supply, national income, price level
(d) None of the above

51. Purchase of computers, equipment, tools, power and raw materials is a part of:
(a) Gross investment
(b) Fixed investment
(c) Inventory investment
(d) All of the above

52. Macroeconomics does NOT include:
(a) Aggregates
(b) Economic equilibrium
(c) Consumer equilibrium
(d) All of the above

53. Real GDP is considered an index of:
(a) Price level in the economy
(b) Welfare of the people
(c) Profit maximisation
(d) None of these

54. Foreign embassies in India are a part of India's:
(a) Economic territory
(b) Geographical territory
(c) Both (a) and (b)
(d) None of these

55. Which of the following is NOT included in the estimation of national income?
(a) Subsidised Lunch
(b) Old-age Pension
(c) Free medical facilities to employees
(d) Construction of a house

56. GNP at Market Price is measured as:
(a) GDP at MP – Depreciation
(b) GDP at MP + Net Factor Income from Abroad
(c) GDP at MP + Subsidies
(d) NDP at FC + Net Factor Income from Abroad

57. Which statement is true?
(a) Bread is always a consumer good
(b) All producer goods are not capital goods
(c) Transfer income is received for providing a good/service in return
(d) Interest paid by a household on a car loan is a factor payment

58. Flow of goods, services and factors of production across sectors in a barter economy is known as:
(a) Circular flow
(b) Real flow
(c) Monetary Flow
(d) Capital Flow

59. Inventory is a ____ concept whereas change in inventory is a ____ concept.
(a) Stock, flow
(b) Flow, stock
(c) Stock, stock
(d) Flow, flow

60. Money flows from ____ to ____ as factor payments.
(a) Firms, households
(b) Households, firms
(c) Government, firms
(d) Households, government

61. Final goods are used by the:
(a) Consumers
(b) Producers
(c) Government
(d) All of the above

62. Classification of goods depends on the:
(a) Consumption of goods
(b) First-use of goods
(c) Production of goods
(d) End-use of goods

63. Increase in the stock of capital is known as:
(a) Capital loss
(b) Capital gain
(c) Capital formation
(d) None of the above

64. Net investment is equal to:
(a) Gross investment + depreciation
(b) Gross investment – depreciation
(c) Gross investment × depreciation
(d) None of these

65. Rent + Interest + Profit = ____.
(a) Compensation of employees
(b) Operating surplus
(c) Mixed income of the self-employed
(d) Net factor income from abroad

66. GDPMP = 200, Intermediate consumption = 100, Change in stock = 20. Find Sales.
(a) 320
(b) 280
(c) 220
(d) 120

67. Quantity measured at a point of time is:
(a) Depreciation
(b) Stock
(c) Income
(d) Production

68. Which of the following is a flow concept?
(a) Capital Formation
(b) Change in stock
(c) GDP at MP
(d) All of the above

69. If the money value of final goods and services produced by normal residents, measured at current year prices, it is called:
(a) Real GDP
(b) GDP at constant Price
(c) National Product
(d) GDP at current price

70. Which of these is transfer income?
(a) Rent
(b) Wages
(c) Gifts received from abroad
(d) Profit

71. The net value at Market Price of final goods and services during an accounting year within the domestic territory is known as:
(a) GDPfc
(b) NNPfc
(c) NDPmp
(d) GDPmp

72. Which of the following is an intermediate product?
(a) Pulses purchased by consumers
(b) Machine purchased by a firm
(c) Wheat used by a flour mill
(d) Wheat used by a household

73. Depreciation means:
(a) Destruction of a factory due to fire
(b) Loss in fixed assets due to normal wear and tear
(c) Loss in fixed assets due to earthquake
(d) Shut-down of a factory due to strike

74. GDPfc = GDPmp – ____
(a) Indirect Tax
(b) Depreciation
(c) NFIA
(d) NIT

75. Domestic income is greater than National Income if:
(a) NFIA is positive
(b) NFIA is zero
(c) NFIA is negative
(d) None of these

76. Which of these is NOT a component of operating surplus?
(a) Interest
(b) Rent

(c) Royalty
(d) Wages

77. While estimating national income, depreciation is measured from:
(a) Durable Consumer goods
(b) Capital Goods
(c) Intermediate goods
(d) Final Goods

78. Which of the following is also known as domestic factor income?
(a) NDPfc
(b) NNPmp
(c) GDPfc
(d) NNPfc

79. Which of these is NOT an example of leakage?
(a) Savings
(b) Taxes
(c) Imports
(d) Intermediate goods

80. Which of the following is included in national income?
(a) Sale of bonds by a company
(b) Expenditure on transportation by a firm
(c) Interest payment on loan by households to banks
(d) None of these

81. Which of these is NOT a transfer payment?
(a) Indirect Tax
(b) Subsidies
(c) Scholarship
(d) None of these

82. When the value of the same output is counted more than once while measuring national income, it results in:
(a) Less measurement of NI
(b) More measurement of NI
(c) Correct measurement of NI
(d) None of the above

83. Which of the following is NOT a component of NFIA?
(a) Net compensation of employees
(b) Net income from property and entrepreneurship
(c) Net retained earnings from abroad
(d) None of these

84. Which item will be included in national income?
(a) Employees' contribution to social security schemes
(b) Expenditure on maintenance of building
(c) Expenditure on the construction of building
(d) Interest payment by employees on a loan from an employer

85. Which of the following is NOT a component of gross domestic fixed capital formation?
(a) Gross Government Investment

(b) Inventory Investment
(c) Gross Residential construction investment
(d) Gross business fixed investment

86. Which of the following is a leakage?
(a) Export
(b) Import
(c) Investment
(d) Both (a) and (b)

87. A person or institution normally residing in a country whose economic interest lies in that country is known as:
(a) Normal Resident of a country
(b) Non-resident of a country
(c) Both (a) and (b)
(d) None of these

88. Find out the factor payment from the following:
(a) Subsidies
(b) Old age pension
(c) Profit
(d) Income tax

89. Corporation tax is NOT a component of:
(a) Personal Income
(b) National Income
(c) Domestic Income
(d) Private income

90. Old age pension given by the Government of India comes under:
(a) Factor Income
(b) Capital Transfer
(c) Current Transfer
(d) Domestic Factor Payment

91. Which of the following is NOT a normal resident of a country?
(a) An Indian working in WHO situated in India
(b) An American tourist in India
(c) An Indian working in the American Embassy
(d) A branch of WHO in India

92. A firm's value added is equal to:
(a) Sales
(b) Profit
(c) Sales – Intermediate consumption
(d) Sales + Intermediate consumption

93. Which of the following is NOT an intermediate good for a farmer?
(a) Seeds
(b) Fertilizer
(c) Tractor
(d) All of these

94. Medicine supplied to earthquake victims in India by the British Government is:

(a) Factor Income
(b) Capital Transfer
(c) Net Factor Income from Abroad
(d) Current Transfer

95. Which of the following is a final expenditure?
(a) Computer purchased by a school
(b) Scooter purchased by a dealer
(c) Vegetables purchased by a restaurant
(d) Milk purchased by a tea-maker

96. Change in stock will be negative when:
(a) Closing Stock > Opening Stock
(b) Closing Stock < Opening Stock
(c) Closing Stock = 0
(d) Opening Stock = 0

97. Assertion (A): Exports of goods and services are included in Gross Domestic Product.
Reason (R): The sum total of expenditure on domestically produced goods and services during an accounting year is called GDP.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

98. Assertion (A): To calculate the value of output, we add sales and exports.
Reason (R): Sales are equal to the value of output if there is no change in stock.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

99. Assertion (A): An American working in the World Bank in India for more than a year is a Normal Resident of India.
Reason (R): A normal resident is one who ordinarily resides in the country concerned and whose centre of economic interest lies in that country.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

100. Assertion (A): An item meant for final use, not passing through any more stages of production, is called a final good.
Reason (R): It will not undergo further transformation at the hands of any producer, though many such final goods are transformed during consumption.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

101. Assertion (A): Purchase of a car by a consumer is included in the calculation of National Income.
Reason (R): Gross Domestic Capital Formation is a part of National Income.
(a) Both A and R true, R correct explanation

(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

102. Assertion (A): GDP can be greater than GNP.
Reason (R): NFIA can never be negative.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

103. Assertion (A): Factor incomes contribute to an increase in GDP.
Reason (R): Scholarship will be added in National Income as it is a factor payment.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

104. Read the following data and choose the correct option: Farmers - Total production 100, Intermediate goods used 0, Value added 100. Bakers - Total production 200, Intermediate goods used 50, Value added ?
(a) 100
(b) 200
(c) 50
(d) 150

105. Assuming real income to be ₹200 crore and the price index to be 135, calculate nominal income.
(a) ₹270 crore
(b) ₹335 crore
(c) ₹65 crore
(d) ₹120 crore

106. Goods purchased for which of the following purposes are final goods?
(a) For satisfaction of wants
(b) For investment in firm
(c) Both (A) and (B)
(d) None of these

107. Which of the following transactions will NOT be included in national income?
(a) Expenditure incurred by a foreign tourist in India
(b) Payment of Diwali bonus to employees
(c) National debt interest
(d) Free services provided by a government-run dispensary

108. Cotton purchased by Firm A from Firm B for further production is an example of:
(a) Final goods
(b) Intermediate goods
(c) Capital goods
(d) Consumer durable

109. Identify which of the following is NOT considered a 'Normal Resident' of India.
(a) An Indian citizen working in the U.S.A. embassy located at New Delhi
(b) An Indian official working in the Indian embassy in China
(c) An Indian diplomat visiting Canada for a summit

(d) An Indian working in an American Company located in New York for more than 1 year

110. From the following, identify the correct reasons that may affect the supply of foreign exchange in an economy:

I. Purchase of land in England by an Indian

II. Foreign tourists visiting the Taj Mahal

III. Donation of $500 million from Microsoft

IV. Indian students going to Australia for studies

(a) I and II
(b) II and IV
(c) II and III
(d) I and IV

111. Assertion (A): Ceteris paribus, devaluation of domestic currency leads to an increase in the National Income of a nation.

Reason (R): Devaluation of domestic currency refers to reduction in the value of domestic currency with respect to foreign currency, under the fixed exchange rate system.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true, but Reason (R) is false
(d) Assertion (A) is false, but Reason (R) is true

112. At the income level of ₹5,000 crore, total savings are ₹1,000 crore. Calculate the average propensity to consume (APC).

(a) 0.1
(b) 0.2
(c) 0.8
(d) None of the above

113. The difference between GDP at Market Price and GDP at Factor Cost is:

(a) Net indirect taxes
(b) Net factor income from abroad
(c) Depreciation
(d) None of these

114. The value of ____ can be less than, equal to, or more than one.

(a) Marginal Propensity to Consume
(b) Average Propensity to Consume
(c) Average Propensity to Save
(d) None of the above

115. Nominal GNP is the same as:

(a) GNP at constant prices
(b) Real GNP
(c) GNP at current prices
(d) GNP less Net factor income from abroad

116. Average Propensity to Consume can never be ____ (choose the correct alternative).

(a) Positive
(b) Zero
(c) More than one
(d) Less than one

117. The Aggregate Demand (AD) curve:

(a) Is a diagrammatic presentation of the AD schedule
(b) Shows desired expenditure corresponding to different levels of income in the economy
(c) Indicates ex-post demand in the economy
(d) Both (a) and (b)

118. In the consumption function C = 400 + 0.6Y, the value of autonomous saving will be:
(a) 400
(b) -400
(c) 0.6
(d) 0.4

119. Which one of the following is NOT a function of the Reserve Bank of India?
(a) Issue of currency
(b) Banker to the public
(c) Banker to Government
(d) Controller of money supply

120. Assertion (A): Cement purchased by a constructor is considered an intermediate good.
Reason (R): The cement is used for the construction of a building to be sold to the consumer.
(a) Assertion (A) is true and Reason (R) is a correct explanation of Assertion (A)
(b) Assertion (A) is true but Reason (R) is not a correct explanation of Assertion (A)
(c) Assertion (A) is false and Reason (R) is true
(d) Both Assertion (A) and Reason (R) are false

121. National income refers to:
(a) NNP at Market Price
(b) NNP at Factor Cost
(c) NDP at Market Price
(d) GDP at Factor Cost

122. If the value of Average Propensity to Save (APS) is 0.2 and National Income is ₹4,000 crore, then consumption will be:
(a) ₹4,000 crore
(b) ₹3,200 crore
(c) ₹3,800 crore
(d) ₹2,600 crore

123. Statement 1: The consumption curve is a downward sloping straight-line curve due to the inverse relationship between income and consumption and the assumption of constant Marginal Propensity to Consume.
Statement 2: Aggregate Demand curve and Consumption curve are parallel to each other.
Choose the correct alternative.
(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

124. Statement 1: Gross investment is a part of Net investment.
Statement 2: Capital is a stock concept.
Choose the correct alternative.
(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true

(d) Both statements 1 and 2 are false

125. If the value of Average Propensity to Consume is 1.5, the value of Average Propensity to Save will be:

(a) 0
(b) 0.5
(c) -0.5
(d) 1

126. Assertion (A): In the income phase, factor incomes flow from firms to households.

Reason (R): Firms distribute the revenue received from the sale of goods and services as rent, interest, profit and wages.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true and R is false
(d) A is false and R is true

127. Unforeseen obsolescence of a fixed asset during production is:

(a) Consumption of fixed capital
(b) Capital loss
(c) Income loss
(d) None of the above

128. Which of the following is Factor Income?

(a) Old Age Pension
(b) Net Current Transfer from ROW
(c) Rent from Land
(d) None of these

129. GNP at Factor Cost + ____ = GNP at Market Price.

(a) NFIA
(b) Net Indirect Tax
(c) Depreciation
(d) None

130. Depreciation expenses are included in:

(a) GDP at MP
(b) NNP at MP
(c) NNP at FC
(d) None of these

131. Assertion (A): National income is always more than domestic income.

Reason (R): National income can be less than domestic income when net factor income from abroad (NFIA) is negative. National income can also be equal to domestic income if NFIA is zero.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) Assertion (A) is true, but Reason (R) is false
(d) Assertion (A) is false, but Reason (R) is true

132. Calculation of National Income at Market Prices is known as:

(a) Money income
(b) Real income
(c) Non-monetary income
(d) None of these

133. Statement 1: Value of MPC ranges between 0 and 1.
Statement 2: APS is negative when C > Y.
Choose the correct alternative.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

134. Which of the following will NOT be included while calculating National Income?

(a) Imputed rent of owner-occupied houses
(b) Goods produced for self consumption
(c) Income from the sale of second-hand goods
(d) Construction of a new house

135. If real GDP is ₹400 crore and the price index is 110, the nominal GDP is:

(a) ₹250 crore
(b) ₹220 crore
(c) ₹440 crore
(d) None of the above

136. Assertion (A): Real Gross Domestic Product (GDP) is a bad indicator of economic growth and welfare of people compared to Nominal GDP.
Reason (R): Real GDP is not affected by changes in the general price level; also, an increase in real GDP means more goods and services are available to society, thus increasing welfare.

(a) Both A and R are true and R is the correct explanation for A
(b) Both A and R are true and R is not the correct explanation for A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

137. A firm produces ₹200 worth of goods per year. ₹40 is the value of intermediate goods used by it during the year and ₹20 is the value of capital consumption. The net value added will be:

(a) ₹140
(b) ₹160
(c) ₹180
(d) ₹200

138. Assertion (A): Real GDP is a better indicator of economic growth and welfare of the people of a country than Nominal GDP.
Reason (R): Real GDP is not affected by changes in the general price level; also, an increase in real GDP means more goods and services are available to society, thus increasing welfare.

(a) Both A and R are true and R is the correct explanation for A
(b) Both A and R are true and R is not the correct explanation for A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

139. A firm produces ₹100 worth of goods per year. ₹20 is the value of intermediate goods used by it during the year and ₹10 is the value of capital consumption. The net value added will be:

(a) ₹100
(b) ₹80
(c) ₹70
(d) ₹130

140. The saving function of an economy is given as S = -50 + 0.4Y (all figures in crores). Which of the following statements is true for this economy?

(a) Consumption at zero level of National Income is 50 crore
(b) People spend 60% of their additional income on consumption
(c) People save 60% of their additional income
(d) Both (a) and (b)

141. Income from property includes:

(a) Profits
(b) Rent
(c) Dearness Allowance
(d) House Rent Allowance

142. What is excluded from money supply?

(a) Gold held with the central bank
(b) Coins and currency held by Commercial Banks as their cash reserves
(c) Cash held by the Government in treasury
(d) All of the above

143. Statement 1: Consumption function assumes that consumption changes at a constant rate as income changes.
Statement 2: Autonomous consumption is the ratio of total consumption (C) to total income (Y).
Choose the correct alternative.

(a) Statement 1 is true and Statement 2 is false
(b) Statement 1 is false and Statement 2 is true
(c) Both Statements 1 and 2 are true
(d) Both Statements 1 and 2 are false

144. Which of the following is a debit item of the capital account of India's Balance of Payments account?

(a) An Indian buying a French Company
(b) An Indian sending remittances home from China
(c) A Chinese company buying shares of an Indian Company
(d) A US company selling mobiles in the Indian market

145. Statement 1: National income does not include net factor income from abroad.
Statement 2: Domestic income is generated within the domestic territory of a country.
Choose the correct alternative.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

146. Which of the following is included in the domestic territory of India?

(a) SBI branch in London
(b) Microsoft office in USA
(c) An American company in India
(d) American embassy in India

147. Assertion (A): In a two-sector model of circular flow of income, both real flow and money flow exist as a result of one another.
Reason (R): The export earnings of an economy form a part of the real flow in a 2-sector circular flow of income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A

(c) A is true but R is false
(d) A is false but R is true

148. Assertion (A): Savings is one of the best ways of capital formation and it helps a great deal in the economic growth of a country.
Reason (R): Investment is also known as capital formation.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

149. Assertion (A): Domestic income is equal to National Income in the case of a closed economy.
Reason (R): A closed economy has no economic relationship with the rest of the world.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

150. Assertion (A): Leisure-time activity does not contribute to GDP.
Reason (R): It does not involve rendering of any factor service.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

151. Assertion (A): Unexpected obsolescence is a part of depreciation.
Reason (R): Loss of value of fixed assets owing to unexpected obsolescence is called capital loss.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

152. Assertion (A): With every increase in the level of GDP, social welfare definitely increases in the economy.
Reason (R): GDP is not a true indicator of welfare of the economy.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

153. Assertion (A): Income from illegal activities like smuggling, theft, gambling, etc., should not be included in National Income.
Reason (R): Including illegal activities will cause the problem of double counting.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

154. The net value added at factor cost of a producing unit is equal to:
(a) Sum of factor payments
(b) Sum of intermediate consumption
(c) Sum of intermediate and final consumption
(d) Sum of final consumption

155. Reeta's mother is a teacher. She also teaches Reeta at home. How will you treat this act of teaching Reeta while calculating National Income and Domestic Income?

(a) It will be included in the National Income but not in Domestic Income
(b) It will not be included in the National Income but in Domestic Income
(c) It will be included both in the National Income and Domestic Income
(d) It will neither be included in the National Income nor in Domestic Income

156. Mohan is a farmer. He produces wheat and sells it for ₹750 to a miller who grinds it into flour and sells it to a baker for ₹1,360. The baker sells bread to consumers for ₹1,795. Calculate the total value added.

(a) ₹750
(b) ₹1,350
(c) ₹1,795
(d) ₹3,900

157. Problem of double counting can be avoided by using:

(a) Final Output method
(b) Value added method
(c) Both Final Output and Value added methods
(d) Neither of the two

158. Which of the given statements is INCORRECT?

(a) GDPMP = GDPFC + NIT
(b) NNPMP = NNPFC + Depreciation
(c) GNPMP = GDPMP + NFIA
(d) NNPFC = National income

159. A growing country is one with:

(a) Rising GNP at constant price
(b) Constant GNP at constant price
(c) Rising GNP at current price
(d) None of these

160. Assertion (A): Domestic income is less than national income when net factor income from abroad is positive.
Reason (R): National Income is an earned income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

161. Statement 1: Real GDP increases only when there is an increase in the quantum of output in the economy.
Statement 2: Real GDP is estimated by using the base year price.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and statement 2 is false
(d) Statement 2 is true and statement 1 is false

162. Intermediate consumption refers to the value of:

(a) Factor input
(b) Non-factor input
(c) Both factor and non-factor input
(d) Neither factor nor non-factor input

163. If the entire output of the year is sold during the year, then:

(a) Value of output = Sales
(b) Value of output = Change in sales
(c) Value of output = Change in stock
(d) None of these

164. Which of the following is a component of profit?
(a) Undistributed profit
(b) Dividends
(c) Both undistributed profit and dividends
(d) Neither

165. Statement 1: All capital goods are producer goods.
Statement 2: All producer goods are capital goods.
(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and statement 2 is false
(d) Statement 2 is true and statement 1 is false

166. If in an economy the value of Net Indirect Tax is Rs. 300 crores and the value of subsidies is Rs. 60 crores, identify the value of Indirect Taxes.
(a) Rs. 300 crores
(b) Rs. 260 crores
(c) Rs. 360 crores
(d) Rs. 180 crores

167. When a good is used in further production, it often loses its characteristic as that specific good and is transformed through a productive process into another good. This statement is talking about the distinction between:
(a) Capital and consumer goods
(b) Capital and final goods
(c) Final and intermediate goods
(d) Consumer and final goods

168. Statement A: Final goods can be consumption goods as well as capital goods.
Statement B: Final goods can never be consumer goods.
(a) Statement A is true and B is false
(b) Statement A is false and B is true
(c) Both the statements are true
(d) Both the statements are false

169. Consider the following statements:
1. Real GDP is nothing but the total market value of all the goods and services produced in India in a financial year at current prices.
2. Nominal GDP is derived from Real GDP by removing the effect of inflation.
Which of the statement(s) given above is/are correct?
(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

170. Regarding National Income, consider the following statements:
1. Factor cost is the input cost that the producer has to incur in the process of producing goods and services.
2. Market price is derived after deducting indirect taxes from the factor cost of the product.

Which of the statement(s) given above is/are correct?

(a) 1 only
(b) 2 only
(c) Both 1 and 2
(d) Neither 1 nor 2

171. Consider the following statements:

1. GDP deflator is the measure of the level of prices of all domestically produced final goods and services.
2. It is calculated to find the overall rise in the level of price.
3. Real GDP can be calculated from nominal GDP if the increase in prices is already known.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) 1, 2 and 3

172. Consider the following statements regarding GDP deflator:

1. The GDP deflator measures the average level of the prices of all the goods and services.
2. The 'basket' for the GDP deflator is allowed to change from year to year with people's consumption and investment patterns.

Which of the statement(s) given above is/are correct?

(a) 1 only
(b) Both 1 and 2
(c) 2 only
(d) Neither 1 nor 2

173. Consider the following statements:

1. Steel is an example of an intermediate good which helps in the production of the final product.
2. Final goods are not required to enter into further stages of production.
3. Measurement of GDP includes only the aggregate value of intermediary goods.

Which of the statements given above are correct?

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

174. Assertion (A): Transfer earnings are not to be included in national income estimation.
Reason (R): Transfer earnings are not payments for factor services.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

175. Assertion (A): Continuous increase in Real National Income is an indication of economic growth.
Reason (R): Increase in National Income does not necessarily reflect increase in per capita income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

176. Assertion (A): The GNP is the value of all goods and services produced annually in the nation.

Reason (R): The most comprehensive measure of national output is the GNP.

(a) Both A and R are individually true and R is the correct explanation of A
(b) Both A and R are individually true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

177. In an economy, the value of indirect taxes is Rs. 200 crore and the value of net indirect taxes is (-)Rs. 250 crores. Identify the value of subsidies.

(a) Rs. 50 Crore
(b) Rs. 450 Crore
(c) Rs. (-) 450 Crore
(d) Rs. 250 Crore

178. Why are intermediate goods not included in the National Income while measuring National Income?

(a) To avoid double accounting
(b) It decreases income
(c) Intermediate goods are not good
(d) All of these

179. Which of the following items are excluded from GNP measurement?

(a) Purely financial transactions
(b) Transfer of used goods and non-market goods and services
(c) Illegal activities and the value of leisure
(d) All of these

180. Which one of the following is included in 'Stock'?

(a) Quantity of Money
(b) Wealth
(c) Quantity of wheat stored in a warehouse
(d) All the above

181. Total national income divided by total population is known as:

(a) Private income
(b) Personal income
(c) Personal spendable income
(d) Per capita income

182. A car purchased by a household is a ____ (Choose the correct alternative).

(a) Single use capital good
(b) Single use consumer good
(c) Durable consumer good
(d) Semi-durable consumer good

183. Assertion (A): The goods which are used either for resale or for further production in the same year are Intermediate goods.

Reason (R): Intermediate goods are included in National Income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

184. Assertion (A): Goods that are meant for final use and will not pass through any more stages for production or transformation is called a final good.

Reason (R): It will not undergo any further transformation at the hands of any producer, but many such final goods are transformed during their consumption.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

185. Assertion (A): Purchase of a car always means a purchase of a final good.

Reason (R): It depends on the end-use of the car. If it is purchased by a household, it is a final good. It is like an investment by a producer if it is purchased as a taxi. If it is purchased for resale by a car dealer, then it is an intermediate good.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

186. Assertion (A): Purchase of wheat in the wholesale market by traders is to be treated as the purchase of intermediate goods, and by the household is to be treated as the purchase of a final good.

Reason (R): Both traders and households purchase wheat from the wholesale market in bulk, but traders are not the final users of wheat.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

187. Assertion (A): Value added method, Income method and Expenditure method are three different methods to calculate National Income.

Reason (R): Production, Income and Expenditure are three different phases in the circular flow of income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

188. Assertion (A): Payment for uniforms for nurses by a hospital is not included in the estimation of national income.

Reason (R): Uniforms are provided by the hospital at the time of work, and this is to be treated as intermediate consumption.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

189. Assertion (A): Payment of corporate tax by a firm is not included in the estimation of National Income.

Reason (R): Corporate tax is a transfer payment by the firm.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

190. Assertion (A): Nominal GDP is always equal to Real GDP.

Reason (R): Real GDP is a better measure to make a periodic comparison in the physical output of goods and services over different years as compared to Nominal GDP.

(a) Both A and R are true and R is the correct explanation of A

(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

191. Assertion (A): Real GDP shows the change in the level of economic activity and facilitates inter-regional and international comparison.
Reason (R): It is an inflation-adjusted index and accounts for an increase in the level of production in response to price changes.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

192. Assertion (A): Production of services for self-consumption is not included in National Income.
Reason (R): Domestic services are already included in the value of final goods; if they are included again it will lead to double counting.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

193. Assertion (A): Imputed value of owner-occupied land is a part of both domestic income and national income.
Reason (R): Factors of production are bound to give their services regardless of whether they are giving their services to the owner or to an outsider.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

194. Assertion (A): All producer goods are capital goods.
Reason (R): Producer goods are those which are used in the production of other goods, whereas capital goods are the fixed assets of the producer.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

195. Assertion (A): GDP as an index of welfare may be underestimated or overestimated.
Reason (R): It does not consider non-monetary exchanges and does not take into consideration the positive and negative externalities associated with economic activity.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

196. Assertion (A): High fixed investment is a sign of growth and development.
Reason (R): Fixed investment indicates the production capacity of a nation; greater the addition to production capacity, higher the growth and development.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

197. Assertion (A): Expenditure on maintenance of machinery is an intermediate expenditure.
Reason (R): All expenditure on repair and maintenance incurred by the firm is treated as part of intermediate consumption.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

198. Assertion (A): Total production is equal to total consumption in the case of circular flow in a two sector economy.
Reason (R): In a two sector economy, the household sector supplies factor services only to firms, and firms hire factor services only from households.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

199. Assertion (A): Depreciation is also termed as consumption of fixed capital.
Reason (R): Depreciation refers to the value of fixed capital that is used up in the process of production.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

200. Assertion (A): Interest paid by the government on public debt is not included in national income.
Reason (R): Interest paid on loans taken for consumption purposes is not included as factor income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

201. Statement 1: Value added includes the value of intermediate goods used in production.
Statement 2: Employer's contribution to provident fund is included in National Income.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

202. Statement 1: The value of an intermediate good is reflected in the value of the final good.
Statement 2: Remittances by NRIs are not transfer payments.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

203. Statement 1: Sale and purchase of second-hand goods is not included in the estimation of GDP.
Statement 2: Rise in national income always leads to a rise in per capita income.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

204. Statement 1: Old age pensions are included in the estimation of National income.
Statement 2: Capital gain is included in the estimation of National Income.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

205. Statement 1: Both value added and value of output are identical concepts.
Statement 2: The sum of value added is equal to the sum of factor income.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

206. Which of the following is NOT a factor payment?

(a) Free uniform to defense personnel
(b) Salaries to the member of parliament
(c) Rent paid to the owner of a building
(d) Scholarship given to the students

207. When Nominal GDP is Rs. 850 crores and price Index is 170, Real GDP will be ____.

(a) Rs. 500 crores
(b) Rs. 400 crores
(c) Rs. 600 crores
(d) Rs. 850 crores

208. Depreciation reserve fund is needed:

(a) To keep inventory stock
(b) To expand the size of plant
(c) To replace worn-out machines
(d) None of these

209. Addition to the capital stock of an economy is termed as:

(a) Net Investment
(b) Capital Gain
(c) Gross Investment
(d) All of these

210. Assertion (A): Intermediate goods refer to those goods which are used for resale or for further production in the same year.
Reason (R): These goods are purchased by firms for capital formation.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

211. Assertion (A): All capital goods are producer goods, but all producer goods are not capital goods.
Reason (R): Producer goods are defined as all those goods which are used in the production of other goods, which includes capital and intermediate goods, whereas capital goods are the fixed assets (like machinery, building, etc.) used by the producers.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A

(c) A is true but R is false
(d) A is false but R is true

212. Assertion (A): Domestic income of a country can be more than its National income.
Reason (R): It is possible when factor income paid abroad is more than factor income received from abroad.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

213. Statement 1: Stock is measured over a period of time.
Statement 2: Flow is measured at a point of time.
(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

214. Statement 1: Net domestic capital formation = Gross fixed capital formation + Change in stock or inventory investment.
Statement 2: Gross fixed capital formation + Change in stock = Gross capital formation.
(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

215. If Real GDP is Rs. 200 and price index (with base = 100) is 110, calculate Nominal GDP.
(a) Rs. 200
(b) Rs. 220
(c) Rs. 110
(d) Rs. 180

216. If the Real GDP is Rs. 300 and Nominal GDP is Rs. 330, calculate the price index (base = 100).
(a) 100
(b) 90
(c) 110
(d) 120

217. Which of the following statements is associated with general equilibrium analysis?
(a) Equilibrium in the market of gold ornaments
(b) Equilibrium across all markets in the economy
(c) Equilibrium price of a good in the competitive market
(d) None of these

218. Which of the following is the correct term for calculating National Income at constant prices?
(a) Current income
(b) Domestic income
(c) Real income
(d) None of the above

219. The employment theory is related to:
(a) Macroeconomics
(b) Static economics
(c) Microeconomics

(d) None of the above

220. Which of the following is the actual definition of transfer payments?

(a) Transfer payments refer to payments made as compensation to employees within an organisation
(b) Transfer payments refer to payments made to workers on transferring from one job to another
(c) Transfer payments refer to payments made without any exchange of goods and services
(d) None of the above

221. The difference between the National Income and the Net National Product at market price is known as ____.

(a) National debt transfer
(b) Current transfers from the rest of the world
(c) Net indirect taxes
(d) All of the above

222. Which of the following is NOT a part of the National Income?

(a) Undistributed profits
(b) Income from government expenditure
(c) The interest amount on unproductive national debt
(d) Payments made by a household to a firm for purchasing goods and services

223. Which of the following is another term for the Net National Product at factor cost?

(a) Personal Income
(b) National Income
(c) Gross National Product
(d) Net Domestic Product

224. Which of the following is true for Disposable Income?

(a) Disposable Income is the difference between Private Income and Indirect Taxes
(b) Disposable Income is the difference between Personal Income and Indirect Taxes
(c) Disposable Income is the difference between Private Income and Direct Taxes
(d) Disposable Income is the difference between Personal Income and Direct Taxes

225. Which of the following organisations calculates the Gross Domestic Product in India?

(a) Reserve Bank of India
(b) Indian Statistical Institute
(c) National Statistical Office
(d) None of the above

226. Which of the following is true for Inflation?

(a) The value of money increases during Inflation
(b) The value of money decreases during Inflation
(c) The value of money stays the same during Inflation
(d) None of the above

227. Which of the following is true for Net National Income?

(a) Net National Income is the total of Gross National Product and Depreciation
(b) Net National Income is the difference between Gross National Product and Depreciation
(c) Net National Income is the difference between Gross Domestic Product and Depreciation
(d) Net National Income is the difference between Net Domestic Product and Depreciation

228. Which of the following is the definition of a closed economy?

(a) A closed economy is one where the money supply is totally controlled by the government
(b) A closed economy is one where neither exports nor imports take place

(c) A closed economy is one where deficit financing takes place
(d) A closed economy is one where there are no exports to other countries

229. Which of the following is NOT needed while considering the Gross National Product?
(a) The net investment made by foreigners within a given period
(b) The total of private investments made within a given period
(c) The total purchase of goods made by the government within a given period
(d) The total per capita income of the citizens of a country within a given period

230. Brokerage paid to a broker for sale and purchase of shares is included in national income because:
(a) It is operating surplus
(b) It is compensation of employees
(c) It is mixed income of the self-employed
(d) The broker is rendering productive services

231. With a rise in real national income, welfare of the people:
(a) Rises
(b) Falls
(c) Remains unchanged
(d) None of these

232. GDP deflator is the same as:
(a) Nominal GDP
(b) Real GDP
(c) Price index
(d) None of these

233. Which of the following is NOT included in compensation of employees?
(a) Dearness allowance
(b) Tools given to employees to be used during work
(c) Payment by an insurance company to an injured employee
(d) Contribution by employer to provident fund

234. A car running between Delhi and Agra at a speed of 120 km/h includes:
(a) Only stock variables
(b) Only flow variables
(c) Both a stock and a flow variable
(d) None of these

235. Which of the following is true for the National Income of a country?
(a) If savings exceed investment within a country, the National Income will rise
(b) If savings exceed investment within a country, the National Income will fall
(c) If savings exceed investment within a country, the National Income will fluctuate
(d) If savings exceed investment within a country, the National Income will remain constant

236. 'Income of the family' is an example of which variable?
(a) Stock
(b) Flow
(c) Both stock and flow
(d) Neither stock nor flow

237. State True or False: 'Nominal GDP can never be less than real GDP.'
(a) True

(b) False

238. State True or False: 'Increase in stock of goods held by a consumer will contribute to capital formation.'

(a) True
(b) False

239. State True or False: 'Gross domestic capital formation is always greater than gross fixed capital formation.'

(a) True
(b) False

240. Identify the correct equation from the following:

(a) GDPMP = NNPFC + Depreciation
(b) NDPFC = NNPFC + Net Indirect Taxes
(c) GNPMP = GDPMP + Net Factor Income from Abroad
(d) NNPFC = NDPMP + Depreciation

241. Suppose, the Balance of Trade of an imaginary economy shows a favourable balance of ₹ 500 crore. The values of merchandise exports are ₹ 1200 crore and transfer payments are ₹400 crore. The value of merchandise imports would be ₹ ____ crore. (Choose the correct alternative to fill in the blank)

(a) 1700
(b) 750
(c) 700
(d) 900

242. Read the following statements carefully: Statement 1: Economic territory and political frontier of a nation are one and the same thing. Statement 2: American Embassy in India is a part of the economic territory of India. In the light of the given statements, choose the correct alternative from the following :

(a) Statement 1 is true and statement 2 is false.
(b) Statement 1 is false and statement 2 is true.
(c) Both statements 1 and 2 are true.
(d) Both statements 1 and 2 are false.

243. Identify which of the following statements is incorrect with reference to an economy.

(a) Excess of Gross National Product (GNP) over Gross Domestic Product (GDP) is possible.
(b) Excess of Gross Domestic Product (GDP) over Gross National Product (GNP) is possible.
(c) Equality between Gross National Product (GNP) and Gross Domestic Product (GDP) is possible.
(d) Sum of Gross National Product (GNP) and Gross Domestic Product (GDP) is always equal to zero (0).

244. Read the following statements - Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion (A): Real Gross Domestic Product is a better indicator of economic growth of a nation as compared to Nominal Gross Domestic Product. Reason (R): Real Gross Domestic Product measures the value of goods and services at current year prices.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

245. Identify, which of the following is not considered as 'Normal Resident' of India?

(a) An Indian citizen working in U.S.A. embassy located at New Delhi.
(b) An Indian officials working in Indian embassy in China.
(c) An Indian diplomats visiting Canada for a summit.
(d) An Indian working in an American Company located in New York for a period of more than 1 year.

246. Read the following statements carefully: Statement 1: Gross National Product (GNP) can be greater than Gross Domestic Product (GDP) in a two-sector economy. Statement 2: Net factor income from abroad is zero in a two-sector economy. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

247. From the items given in Column-I and Column-II, choose the correct pair. Column-I Column-II (a) Income from Property (i) Old age pension (b) Income from Entrepreneurship (ii) Profit (c) Mixed Income (iii) Rent free accommodation from an employer (d) Compensation of Employees (iv) Interest from capital Options:

(a) (a) -- (i)
(b) (b) -- (ii)
(c) (c) -- (iii)
(d) (d) -- (iv)

248. To arrive at the value of Gross Value Added at Factor Cost (GVAFC), ____must be ____ to/from Gross Value Added at Market Price (GVAMP). (Choose the correct option to fill in the blanks)

(a) depreciation, added
(b) depreciation, subtracted
(c) Net Indirect Taxes, added
(d) Net Indirect Taxes, subtracted

249. To arrive at the value of Net Value Added at Market Price (NVAMP), ____must be ____to/from Gross Value Added at Market Price (GVAMP). (Choose the correct option to fill in the blanks)

(a) depreciation, added
(b) depreciation, subtracted
(c) net indirect taxes, subtracted
(d) net indirect taxes, added

250. Identify, which of the following items will not be included in estimating National Income of India. (Choose the correct option)

(a) Salary to Indian residents working at the Russian Embassy in India
(b) Income generated from smuggling
(c) Payments to farm workers in the form of foodgrains
(d) Interest paid by a firm to a bank

251. Suppose in an economy, planned spendings are greater than planned outputs. Identify the correct option with respect to effects on the economy: (i) Decrease in planned inventories in the economy (ii) Rise in National Income (iii) Decrease in real output level in the economy (iv) Decrease in employment level in the economy Options:

(a) Only (i)
(b) (i) and (ii)
(c) (iii) and (iv)
(d) (ii), (iii) and (iv)

252. Using the given information, complete the following table: (Choose the correct option) 2014-15 2016-17 Nominal GDP 6.5 9 Real GDP ...(i)... 7.2 GDP Deflator 100 ...(ii)... Options:

(a) 125, 100
(b) 125,110
(c) 6.5, 125
(d) 100, 6.5

253. Read the following statements carefully : Statement 1: Real National Income is always less than Nominal National Income. Statement 2: Real National Income is the money value of all the final goods and services produced

by the normal residents of an economy in an accounting year, measured at the base year prices. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

254. In an economy, exclusion of ____ may lead to under estimation of the value of Gross Domestic Product (GDP). (Choose the correct option to fill in the blank) (i) Barter Transactions (ii) Services provided by family members (iii) Illegal activities (iv) Depreciation of Assets Options:

(a) (i) and (ii)
(b) (ii) and (iii)
(c) (iii) and (iv)
(d) (i), (ii) and (iii)

255. Read the following statements carefully: Statement 1: Final goods are those goods which normally lose their identity in the production process. Statement 2: Final goods may get transformed during the consumption process by a consumer. (Choose the correct option) Options:

(a) Statement 1 is true and statement 2 is false.
(b) Statement 1 is false and statement 2 is true.
(c) Both statements 1 and 2 are true.
(d) Both statements 1 and 2 are false.

256. Income generated from Aircrafts of Air India operating between Canada and England would be added to the domestic income (NDPFC) of ____. (Choose the correct option to fill in the blank) Options:

(a) Canada
(b) England
(c) Both Canada and England
(d) India

257. Read the following statements carefully: Statement 1: Brokerage earned by a dealer of second hand cars is included in the estimation of National Income. Statement 2: Imputed value of production for self-consumption is included in National Income. In the light of the above given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

258. On the basis of the given table, estimate the value added by the Baker. (Amount in ₹ crore) Farmer Baker Total Production 100 200 Intermediate Consumption 0 50 Value Added 100 ...(i)... (Choose the correct option) Options:

(a) 200
(b) 250
(c) 100
(d) 150

259. To arrive at the value of National Income (NNPFC), ____ must be added to ____ at factor cost. (Choose the correct option to fill in the blanks) Options:

(a) Depreciation, Net Domestic Product
(b) Depreciation, Gross Domestic Product
(c) Net Factor Income from Abroad, Net Domestic Product
(d) Net Indirect Taxes, Gross Domestic Product

260. "The Ministry of Statistics and Programme Implementation (MoSPI) is underway to revise the base year of Gross Domestic Product (GDP). The base year is revised periodically to better capture the structural changes happening in the economy. The proposed new base year for the GDP is 2022 -- 23." The step taken by the Government of India is for revision of____ Gross Domestic Product (GDP), as it is measured at ____ prices. (Choose the correct option to fill in the blanks)

(a) Real, constant
(b) Nominal, current
(c) Real, current
(d) Nominal, constant

261. Following are the steps to measure National Income (NNPFC) by Value Added method: (i) Calculate Domestic Income (NDPFC) by subtracting Depreciation and Net Indirect Taxes from GDPMP. (ii) Estimate GDPMP by adding GVA of each firm. (iii) Estimate and add Net Factor Income from Abroad to NDPFC to arrive at NNPFC. (iv) Identify and classify the production units into primary, secondary and tertiary sector. The correct order of arrangement of steps would be: (Choose the correct option) Options:

(a) (ii), (iii), (i), (iv)
(b) (iv), (ii), (i), (iii)
(c) (iv), (ii), (iii), (i)
(d) (iii), (iv), (ii), (i)

262. Read the following statements carefully : Statement I: Positive externalities refer to the benefits a firm/an individual provides to another for which they are paid. Statement II: In case of positive externalities, Gross Domestic Product (GDP) of an economy might lead to an overestimation of the actual welfare. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

263. Identify which of the following option will be included while estimating the national income by income method. (Choose the correct option)

(a) Windfall gains
(b) Capital loss
(c) Mixed income
(d) Transfer income

264. Ayaan owns a transportation company and spent ₹ 30,000 in the year 2024 - 25 on the repair of all vehicles. This will be classified as ____ expenditure while estimating the National Income of India. (Choose the correct option to fill in the blank)

(a) Intermediate
(b) Consumption
(c) Investment
(d) Final

265. Read the following statements carefully: Statement I: Stock variables are measurable at a particular point of time. Statement II: A change in any stock variable in a given time period is a flow variable. In the light of the given statements, choose the correct option from the following:

(a) Both Statements I and II are true.
(b) Both Statements I and II are false.
(c) Statement I is true, but Statement II is false.
(d) Statement I is false, but Statement II is true.

266. Value Addition = ____ -- Value of Intermediate Consumption. (Choose the correct option(s) to complete the stated formula.) (i) Domestic sales (ii) Sales -- change in stock (iii) Value of output (iv) (Number of units produced) × (Price per unit) Options:

(a) (i) and (ii)
(b) (ii) and (iii)
(c) (ii), (iii) and (iv)
(d) (iii) and (iv)

267. In a two sector economy, the flow of factor payments moves from ____ to ____. (Choose the correct option to fill in the blanks)

(a) firms, households
(b) firms, government
(c) banks, households
(d) households, firms

268. Read the following Flow chart carefully and choose the correct option: Options:

(a) Transfer goods
(b) Capital goods
(c) Non-durable goods
(d) Semi-durable goods

269. Identify the variable(s) which may add to the future productive capacity of an economy: I. Raw material II. Fixed investment III. Inventories with producers (Choose the correct option) Options:

(a) Only I
(b) Only II
(c) II and III
(d) I, II and III

270. Investment is defined as addition to the ____. (i) Stock of physical capital (ii) Changes in the inventory (iii) Consumption (Choose the correct option to fill in the blank) Options:

(a) Only (i)
(b) (i) and (ii)
(c) (i) and (iii)
(d) (i), (ii) and (iii)

Answer Key

1. (c) 2. (d) 3. (a) 4. (d) 5. (a)
6. (b) 7. (c) 8. (a) 9. (c) 10. (d)
11. (a) 12. (b) 13. (c) 14. (d) 15. (b)
16. (c) 17. (c) 18. (b) 19. (c) 20. (c)
21. (c) 22. (c) 23. (b) 24. (c) 25. (c)
26. (a) 27. (b) 28. (b) 29. (a) 30. (c)
31. (a) 32. (c) 33. (b) 34. (c) 35. (b)
36. (b) 37. (d) 38. (a) 39. (d) 40. (d)
41. (a) 42. (a) 43. (c) 44. (a) 45. (a)
46. (c) 47. (a) 48. (b) 49. (c) 50. (c)
51. (a) 52. (c) 53. (b) 54. (d) 55. (b)
56. (b) 57. (b) 58. (b) 59. (a) 60. (a)
61. (d) 62. (d) 63. (c) 64. (b) 65. (b)
66. (b) 67. (b) 68. (d) 69. (d) 70. (c)
71. (c) 72. (c) 73. (b) 74. (d) 75. (c)
76. (d) 77. (b) 78. (a) 79. (d) 80. (c)
81. (d) 82. (b) 83. (d) 84. (c) 85. (b)
86. (b) 87. (a) 88. (c) 89. (a) 90. (c)
91. (b) 92. (c) 93. (c) 94. (d) 95. (a)
96. (b) 97. (a) 98. (d) 99. (c) 100. (a)
101. (b) 102. (c) 103. (c) 104. (d) 105. (a)
106. (c) 107. (d) 108. (b) 109. (d) 110. (c)
111. (b) 112. (c) 113. (a) 114. (b) 115. (c)
116. (b) 117. (d) 118. (b) 119. (b) 120. (a)
121. (b) 122. (b) 123. (b) 124. (b) 125. (c)
126. (a) 127. (b) 128. (c) 129. (b) 130. (a)
131. (d) 132. (a) 133. (c) 134. (c) 135. (c)
136. (d) 137. (a) 138. (a) 139. (c) 140. (d)
141. (b) 142. (d) 143. (a) 144. (a) 145. (b)
146. (c) 147. (c) 148. (b) 149. (a) 150. (a)
151. (d) 152. (d) 153. (c) 154. (a) 155. (d)
156. (c) 157. (c) 158. (b) 159. (a) 160. (b)
161. (a) 162. (b) 163. (a) 164. (c) 165. (c)
166. (c) 167. (c) 168. (a) 169. (d) 170. (a)
171. (d) 172. (b) 173. (a) 174. (a) 175. (b)
176. (c) 177. (b) 178. (a) 179. (d) 180. (d)
181. (d) 182. (c) 183. (c) 184. (a) 185. (d)
186. (a) 187. (a) 188. (a) 189. (a) 190. (d)
191. (a) 192. (c) 193. (a) 194. (d) 195. (a)
196. (a) 197. (a) 198. (b) 199. (a) 200. (a)
201. (d) 202. (c) 203. (c) 204. (b) 205. (d)
206. (d) 207. (a) 208. (c) 209. (a) 210. (c)
211. (a) 212. (a) 213. (b) 214. (d) 215. (b)

216. (c) 217. (b) 218. (c) 219. (a) 220. (c)
221. (c) 222. (c) 223. (b) 224. (d) 225. (c)
226. (b) 227. (b) 228. (b) 229. (d) 230. (d)
231. (a) 232. (c) 233. (c) 234. (c) 235. (d)
236. (b) 237. (b) 238. (b) 239. (b) 240. (c)
241. (c) 242. (d) 243. (d) 244. (c) 245. (d)
246. (b) 247. (b) 248. (d) 249. (b) 250. (b)
251. (b) 252. (c) 253. (b) 254. (a) 255. (b)
256. (d) 257. (c) 258. (d) 259. (c) 260. (a)
261. (b) 262. (d) 263. (c) 264. (a) 265. (a)
266. (d) 267. (a) 268. (b) 269. (b) 270. (b)

Unit 2: Money and Banking

209 Questions

Questions

1. Supply of money is a:
(a) Flow variable
(b) Stock variable
(c) Real flow
(d) None of these

2. Supply of money refers to:
(a) Currency held by the public
(b) Currency held by RBI
(c) Currency held by the public and demand deposits with commercial banks
(d) Currency held by RBI and demand deposits with commercial banks

3. Demand deposits include:
(a) Saving account and fixed deposits
(b) Saving account and current account deposits
(c) Current account and fixed deposits
(d) All types of deposits

4. ____ is the main source of money supply in an economy.
(a) Central Bank
(b) Commercial Banks
(c) Government
(d) Both (a) and (b)

5. Which of the following is NOT included in money supply?
(a) Currency held by public
(b) Inter-bank deposits
(c) Demand deposits in banks
(d) Saving deposits with post office banks

6. Supply of money refers to the quantity of money:
(a) On 31st March
(b) During any specific period
(c) On any point of time
(d) During a fiscal year

7. M1 of money supply does NOT include:
(a) Currency held by public
(b) Other deposits in RBI
(c) Demand deposits with Commercial Banks
(d) Net time deposits with banks

8. Which statement is correct?
(a) Supply of money refers to stock of money held by public at a point of time
(b) Supply of money is a flow variable
(c) Supply of money includes cash reserve of banks
(d) Supply of money refers to bank money

9. Which of the following is a supplier of money?
(a) Government and banking system
(b) Cooperative societies
(c) General public
(d) Life insurance corporation

10. Deposits that can be withdrawn on demand by depositors are called:
(a) Time deposits
(b) Savings deposits
(c) Term deposits
(d) Demand deposits

11. Which is the Central Bank in India?
(a) State Bank of India
(b) Punjab National Bank
(c) Reserve Bank of India
(d) New Bank of India

12. ____ is the main function of the Central Bank.
(a) Notes issue
(b) Credit creation
(c) Accepting deposits from the public
(d) None of these

13. Which is the most liquid measure of money supply?
(a) M4
(b) M3
(c) M2
(d) M1

14. Which is NOT a function of the Central Bank?
(a) Banking facilities to government
(b) Lending to commercial banks
(c) Banking facilities to public
(d) Lending to government

15. Central Bank is an apex bank that:
(a) Controls the entire banking system
(b) Accepts and lends deposits to public
(c) Stores value
(d) Creates credit

16. The lender of the last resort is a function of:
(a) Rural Bank
(b) Central Bank
(c) Post office
(d) Commercial bank

17. Credit Control means:
(a) Contraction of credit only
(b) Extension and contraction of money supply
(c) Extension of credit only
(d) Supply of money remains the same

18. Which is a quantitative instrument of monetary policy?
(a) Margin Requirement
(b) Direct Action
(c) Statutory Liquidity Ratio
(d) Rationing of Credit

19. Identify the qualitative measure of the Central Bank:
(a) Bank rate
(b) Open market operation
(c) Margin Requirement
(d) Cash reserve ratio

20. ____ is the rate of interest charged by the Central Bank on loans given to commercial banks.
(a) Bank rate
(b) CRR
(c) Statutory Liquidity Ratio
(d) Reverse Repo Rate

21. Initial deposits made by people from their own resources are called:
(a) Time deposits
(b) Secondary deposits
(c) Primary deposits
(d) None of these

22. ____ is the portion of total deposits a commercial bank must keep with itself as liquid assets.
(a) Statutory Liquidity Ratio (SLR)
(b) Cash Reserve Ratio (CRR)
(c) Bank Rate
(d) Reverse Repo Rate

23. Which agency issues ₹1 currency notes in India?
(a) Ministry of Finance
(b) Ministry of Home Affairs
(c) Reserve Bank of India
(d) All of the above

24. Who regulates money supply in India?
(a) Government of India
(b) Reserve Bank of India
(c) NITI Aayog
(d) Commercial Banks

25. Who creates credit in the economy?
(a) Government of India
(b) Reserve Bank of India
(c) NITI Aayog
(d) Commercial Banks

26. Total deposits created is ₹10,000 crore and legal reserve requirement is 40%. The initial deposits will be:
(a) ₹2,000 crore
(b) ₹2,500 crore
(c) ₹4,000 crore
(d) ₹10,000 crore

27. Money multiplier when initial deposits are ₹500 crore and LRR is 10%:
(a) 0.1
(b) 0.2
(c) 10
(d) 20

28. Initial deposit is ₹3,000 crore and LRR is 25%. Total deposits created:
(a) ₹10,000 crore
(b) ₹11,000 crore
(c) ₹12,000 crore
(d) ₹13,000 crore

29. Deposit creation by banks comes to an end when:
(a) Fresh deposits become zero
(b) LRR becomes zero
(c) Money multiplier becomes zero
(d) Total reserves equal initial deposit

30. Total money creation if fresh deposits = 50,000 and LRR = 20%:
(a) ₹2,50,000
(b) ₹5,00,000
(c) ₹10,00,000
(d) ₹12,00,000

31. Which is used for credit creation?
(a) K = 1/LRR
(b) K = 1/SLR
(c) K = 1/Bank Rate
(d) K = 1/Repo Rate

32. The value of credit multiplier will be high when:
(a) Cash reserve ratio is high
(b) Cash reserve ratio is low
(c) Cash reserve ratio is zero
(d) Cash reserve ratio is infinity

33. Reserve ratio is 20%. Total reserves after an initial deposit of ₹200:
(a) ₹4,000
(b) ₹2,000
(c) ₹1,000
(d) ₹400

34. Money supply in India may increase if:
1. RBI injects more money
2. Commercial banks expand credit
3. Tax rates are reduced
4. RBI increases the Bank Rate
(a) 1, 2 and 3 are correct
(b) 1, 2 and 4 are correct
(c) 2, 3 and 4 are correct
(d) 1, 3 and 4 are correct

35. Assertion (A): Currency notes and coins are called fiat money.

Reason (R): RBI gives the bearer of currency equal purchasing power.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

36. Assertion (A): Currency notes and coins are legal tenders.
Reason (R): They cannot be refused by any citizen for settlement of any transaction.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

37. Assertion (A): Money supply is a flow variable.
Reason (R): Money supply is the total stock of money in circulation at a point of time.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

38. Assertion (A): Reverse repo rate is the rate at which the Central Bank lends funds to banks.
Reason (R): A rise in Reverse Repo Rate encourages banks to park funds with the central bank.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

39. Assertion (A): To increase money supply, the Central Bank reduces margin requirement.
Reason (R): Decrease in margin requirement enhances the public's borrowing capacity, raising money supply.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

40. Assertion (A): Demand deposits are not legal tenders.
Reason (R): Demand deposits can be easily withdrawn on demand by cheque or otherwise.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

41. Assertion (A): High SLR limits the capacity of banks to create credit.
Reason (R): With higher SLR, banks must maintain a larger portion of NDTL in liquid assets.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

42. Assertion (A): Commercial banks cannot lend the entire amount of deposits received.
Reason (R): Banks must maintain a portion of deposits as reserves with the central bank.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation

(c) A true, R false
(d) A false, R true

43. Assertion (A): Higher CRR means lower capacity of commercial banks to create credit.
Reason (R): Credit multiplier is the reciprocal of CRR.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

44. Statement 1: The total liability of RBI is called high powered money.
Statement 2: High powered money includes currency held by the public only.
(a) Both true
(b) Both false
(c) Statement 1 true and 2 false
(d) Statement 2 true and 1 false

45. Statement 1: Primary deposits are cash deposits by the public with commercial banks.
Statement 2: Secondary deposits arise on account of credit provided by commercial banks.
(a) Both true
(b) Both false
(c) Statement 1 true and 2 false
(d) Statement 2 true and 1 false

46. Process of credit creation by commercial banks ends when:
(a) Fresh deposits with banks become zero
(b) Reserve ratio becomes zero
(c) Money multiplier becomes zero
(d) Total money reserves become equal to initial deposit

47. Money used to transfer purchasing power from the present to the future is which function of money?
(a) Double coincidence of wants
(b) Store of value
(c) Unit of account
(d) Medium of exchange

48. Which is NOT a function of RBI?
(a) Controller of money supply
(b) Credit provider to commercial banks
(c) Central agency preparing the annual budget of Government
(d) Issuer of currency

49. Which is NOT a function of RBI?
(a) Banker to the Government
(b) Custodian of gold reserves
(c) Financial advisor to the Government
(d) Issuer of coins and one rupee note

50. What is the main objective of the Statutory Liquidity Ratio (SLR)?
(a) To ensure the liquidity of banks
(b) To control inflation
(c) To promote lending by banks
(d) To manage the fiscal deficit

51. If reserve ratio is 20%, total reserves after an initial deposit of ₹200:

(a) ₹4,000
(b) ₹2,000
(c) ₹1,000
(d) ₹400

52. Ms Sakshi described the 'minimum percentage of total deposits kept by any commercial bank with the Central Bank as per statute'. This is:

(a) Cash Reserve Ratio
(b) Repo Rate
(c) Bank Rate
(d) Statutory Liquidity Ratio

53. Two friends discussed a feature of the central bank that 'saves commercial banks from possible breakdown'. This is:

(a) Banker's bank
(b) Lender of the last resort
(c) Controller of credit
(d) Financial advisor

54. 'The value of all goods and services can be expressed in monetary units' reflects which function of money?

(a) Medium of exchange
(b) Store of value
(c) Unit of account
(d) Standard of deferred payments

55. 'Near money' is best defined as:

(a) Asset which is a medium of exchange
(b) Asset with 100% liquidity
(c) Asset that stores value and can be converted into a medium of exchange at short notice
(d) Asset with no store of value function

56. Credit creation by commercial banks is determined by:

(a) Cash Reserve Ratio (CRR)
(b) Statutory Liquidity Ratio (SLR)
(c) Initial deposits
(d) All of these

57. In a hypothetical economy, a person deposits ₹1,000 with no other currency in circulation. Total money supply will be:

(a) Zero
(b) ₹900
(c) ₹1,000
(d) ₹10,000

58. Assertion (A): The barter system lacked a standard unit of account.
Reason (R): It was difficult to measure and compare the value of goods in barter exchange.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

59. Assertion (A): Legal tender money is accepted compulsorily for transactions.

Reason (R): Acceptance of legal tender is backed by law.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

60. Statement I: Money serves as a medium of exchange, eliminating the need for a double coincidence of wants.
Statement II: Under the barter system, transactions were easier as goods were exchanged directly.

(a) Both true, II correct explanation of I
(b) Both true, II not correct explanation of I
(c) Statement I true, II false
(d) Both statements false

61. Statement I: Fiat money has intrinsic value.
Statement II: Money supply includes currency held by the public and demand deposits.

(a) Both statements correct
(b) Both statements incorrect
(c) Statement I correct, Statement II incorrect
(d) Statement I incorrect, Statement II correct

62. UPI and mobile wallets used for payments are examples of:

(a) Near money
(b) Commodity money
(c) Digital money
(d) Non-monetary assets

63. An icon representing tap-and-pay/contactless payment tools most likely represents which type of money?

(a) Commodity Money
(b) Digital Money
(c) Barter
(d) Token Money

64. Which of the following case is not related to Central Bank's function of note issue?

(a) Currency notes issued by the central bank are legal tender money
(b) Commercial banks cannot issue currency notes
(c) The central bank has sole monopoly to issue currency notes
(d) Commercial banks and the central bank both issue currency notes

65. 'Mr. Sahotra borrowed funds from a bank for purchasing a new house.' From this statement, identify the indicated function of money.

(a) Medium of exchange
(b) Store of value
(c) Unit of account
(d) Standard of deferred payments

66. During periods of deflation, it is advisable for the central bank to:

(a) Lower the bank rate and purchase securities in the open market
(b) Increase the bank rate and purchase securities in the open market
(c) Lower the bank rate and sell securities in the open market
(d) Increase the bank rate and sell securities in the open market

67. Find the missing figure: The total deposits created will be ____ if the Legal Reserve Ratio (LRR) is 25% and initial deposits are ₹1,00,000.

(a) ₹2,50,000
(b) ₹5,00,000
(c) ₹4,00,000
(d) ₹8,00,000

68. 'Money removes the problem of double coincidence of wants.' On the basis of the given statement, identify the function performed by money:
(a) Medium of exchange
(b) Store of Value
(c) Unit of account
(d) Means of standard of deferred payments

69. Find the missing figure: The total deposits created are ____ if LRR is 25% and initial deposits are ₹1,00,000.
(a) ₹2,50,000
(b) ₹5,00,000
(c) ₹4,00,000
(d) ₹8,00,000

70. Which of the following items is NOT included in the money supply of a country?
(a) Demand deposits
(b) Coins and Currency
(c) Time deposits
(d) All of these

71. Statement 1: In India, SLR and CRR are fixed by the commercial banks themselves.
Statement 2: Secondary deposits of a commercial bank are always less than its primary deposits.
Choose the correct alternative.
(a) Statement 1 is false and statement 2 is true
(b) Statement 1 is true and statement 2 is false
(c) Both statements 1 and 2 are false
(d) Both statements 1 and 2 are true

72. Aggregate demand in an economy can be increased by:
(a) Increasing Cash Reserve Ratio
(b) Increasing Bank Rate
(c) Selling government securities by the Reserve Bank of India
(d) None of these

73. Narrow money refers to:
(a) M4, M1
(b) M3, M4
(c) M1, M2
(d) M2, M3

74. Credit money refers to a situation where:
(a) Credit money = Commodity money
(b) Credit money < Commodity money
(c) Credit money > Commodity money
(d) None of these

75. 'CRR cut will improve bottom line,' says a bank CEO, referring to the RBI slashing the Cash Reserve Ratio (CRR) by 100 basis points from 4% to 3%. Identify the quantitative function(s) of the Central Bank among the given options.

(a) Repo rate
(b) Margin requirement
(c) Cash reserve ratio
(d) Both (a) and (c)

76. Assertion (A): Demand Deposits are considered a convenient mode of payment for execution of even high value transactions.
Reason (R): Demand Deposits are non-withdrawable in nature and cannot be withdrawn against issue of cheques and other similar instruments of payment.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

77. ____ is an institution where commercial banks park their surplus funds. (Fill up the blank with the correct alternative)
(a) Commercial Banks
(b) Life Insurance Corporation
(c) Reserve Bank of India
(d) Government of India

78. Money supply in India may decrease if (choose the correct alternative):
1. RBI soaks more money out of circulation
2. Commercial banks reduce their credit operations
3. Tax rates are increased by the Central Government
4. Reserve Bank of India decreases the Bank Rate
(a) 1, 2 and 3 are correct
(b) 2, 3 and 4 are correct
(c) 1, 3 and 4 are correct
(d) 1, 2 and 4 are correct

79. 'Dear money policy' of the central bank, used to keep growth steady and in line with other economic factors, refers to:
(a) Tighten the money supply in the economy
(b) Ease the money supply in the economy
(c) Allow commercial banks to work under a less strict environment
(d) Both (b) and (c)

80. Which of the following steps should be taken by the central bank to boost demand in the economy during a deflationary gap?
(a) Decrease tax rate
(b) Deficit financing
(c) Decrease legal reserve requirements
(d) Increase foreign exchange reserves

81. Cheques are an example of ____ money.
(a) Fiat
(b) Fiduciary
(c) Legal tender
(d) None of these

82. Banks not only accept deposits but also ____ savings.
(a) Distribute

(b) Mobilize
(c) Convert
(d) None of these

83. Under Statutory Liquidity Ratio, commercial banks are required to keep a fraction of ____ in the form of liquid assets.
(a) Total deposits
(b) Term deposits
(c) Total demand and term deposits
(d) Current deposits

84. High powered money is equal to:
(a) Money supplied by the RBI only
(b) Total supply of money in the economy
(c) Notes and coins held by the people
(d) Money (notes and coins) held by the people, vault cash of the commercial banks, and cash reserves of the commercial banks with the RBI

85. Assertion (A): The Managed Floating Exchange Rate system is a combination of the fixed and flexible exchange rate systems.
Reason (R): In the managed floating exchange rate system, the central bank decides the limit of the exchange rate and, within that limit, the exchange rate is decided by market forces of demand and supply of foreign exchange.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

86. The RBI can influence money supply by changing the rate at which it gives loans to commercial banks for long-term periods. This rate is called the ____ in India.
(a) Bank rate
(b) High powered money
(c) Repo rate
(d) Lending rate

87. Which one of the following is NOT a function of the central bank in an economy?
(a) Dealing with foreign exchange
(b) Controlling monetary policy
(c) Controlling government spending
(d) Acting as a banker's bank

88. Devaluation of currency means:
(a) Reduction in the value of domestic currency by the market forces
(b) Reduction in the value of domestic currency by the government
(c) Both (a) and (b)
(d) Neither (a) nor (b)

89. The government starts selling its securities to the private sector. What is this process called?
(a) Open market operation
(b) Disinvestment
(c) Monetary expansion
(d) Multiplier

90. Reserve Bank of India was established in the year:

(a) 1950
(b) 1835
(c) 1900
(d) 1935

91. Identify the function which is NOT performed by a commercial bank.
(a) Provide financial services to the general public
(b) Banker to the public
(c) Banker to Government
(d) Credit creation

92. Calculate the money multiplier, if the Legal Reserve Ratio (LRR) is 0.4.
(a) 2
(b) 2.5
(c) 4
(d) 0.4

93. Since banks earn interest from loans, any bank would like to lend the maximum possible amount. But there is a limit to money or credit creation by banks, and this is determined by:
(a) Commercial bank
(b) The central bank (RBI)
(c) Both (i) and (ii)
(d) None of the above

94. The RBI cut the Repo Rate to 4.4%, the lowest in at least 15 years, and also reduced the Cash Reserve Ratio (CRR) for the first time in over seven years. A cut in Repo Rate by the RBI is likely to ____ the demand for goods and services in the economy.
(a) Increase
(b) Decrease
(c) Double
(d) None of these

95. RBI imposes a fine on a bank for violation of various norms, including linking interest rates to an external benchmark and opening savings accounts of ineligible entities. Which function has RBI performed while doing this?
(a) Issue of Money/Currency
(b) Banker's to government
(c) Banker's Bank and supervision
(d) Moral Suasion

96. The process of credit creation comes to an end when the total of required reserves becomes equal to:
(a) Loans given
(b) Secondary deposits
(c) Initial cash deposits
(d) Both (a) and (b)

97. Assertion (A): The notes issued by the central bank are unlimited legal tender.
Reason (R): The Central bank of a country has the exclusive right of issuing notes.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

98. Value of Money Multiplier ____ (increases/decreases/remains unchanged) with an increase in Cash Reserve Ratio.

(a) Increases
(b) Decreases
(c) Remains unchanged
(d) Cannot be determined

99. Assertion (A): Money supply is considered to be a stock concept.
Reason (R): Money supply is measured at a particular point of time.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

100. 'Double coincidence of wants is a typical feature of the monetary system of exchange.' State True or False.

(a) True
(b) False

101. 'Money supply in the economy refers to only the fiat money issued by the RBI.' State True or False.

(a) True
(b) False

102. Assertion (A): Demand deposits are also called bank money.
Reason (R): Demand deposits are created by commercial banks.

(a) Both A and R are correct and R is the correct explanation for A
(b) Both A and R are correct but R is not the correct explanation for A
(c) A is true but R is false
(d) A is false but R is true

103. State True or False: 'All financial institutions are banking institutions.'

(a) True
(b) False

104. Assertion (A): High powered money is money produced by the RBI and the government.
Reason (R): It consists of two things — currency held by the public, and cash and vault reserves with the banks.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

105. Assertion (A): Supply of money is a stock variable.
Reason (R): Supply of money is measured over a period of time, usually a fiscal year.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

106. Assertion (A): Money Supply is a flow concept.
Reason (R): Money Supply is measured at a particular point of time.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false

(d) A is false but R is true

107. Assertion (A): Money supply does not include money held by the Government and Commercial Banks.
Reason (R): Government and Commercial Banks are themselves the suppliers of money.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

108. Statement 1: Fiduciary money is the money issued by order of the government.
Statement 2: Fiat money is the money backed with mutual trust between the payer and payee.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

109. Statement 1: Full bodied money refers to money in terms of coins whose commodity value is equal to the money value as and when these are issued.
Statement 2: Credit money is the money whose money value is more than its commodity value.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

110. Statement 1: Credit creation is inversely related to the LRR.
Statement 2: Encouraging borrowing by households and businesses will adversely affect the economy as the deposits with the commercial banks will reduce.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

111. Using the following data: Currency held with Public = Rs. 28,43,296 crores, Demand Deposit with Banks = Rs. 18,88,130 crores, Other Deposit with RBI = Rs. 46,722 crores. The value of money supply (M1) in the economy is Rs. ____ crores.

(a) 1,30,78,148
(b) 19,33,99,596
(c) 47,78,148
(d) 47,31,426

112. Suppose primary deposits are Rs. 2,000 crores and the reserve deposit ratio is 10%. The money created by commercial banks would be Rs. ____ crores in the economy.

(a) 10,000
(b) 20,000
(c) 2,000
(d) 1,000

113. Assertion (A): Money supply includes money held by all financial institutions.
Reason (R): Money held by the government does not come into circulation.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

114. Which of the following conditions need to be fulfilled by a financial institution to become a bank?

(a) Advancing loans
(b) Accepting deposits
(c) Both advancing loans and accepting deposits
(d) Neither advancing loans nor accepting deposits

115. If CRR = 5% and LRR = 20%, then what is the SLR?

(a) 5%
(b) 10%
(c) 15%
(d) None of these

116. Which of the following are the assumptions of the credit creation process?

i. There is a single banking system in the economy.
ii. All transactions are routed through the banks.

(a) Only (i)
(b) Only (ii)
(c) Both (i) and (ii)
(d) None of these

117. Which of the following statements is NOT correct?

(a) Currency notes and coins are therefore called fiat money
(b) Fiat money does not have intrinsic value like a gold or silver coin
(c) Fiat money is also legal tender
(d) Demand deposits are also legal tenders

118. What is the function of money according to Keynesian economics that is most emphasized?

(a) Medium of exchange
(b) Unit of account
(c) Store of value
(d) Standard of deferred payment

119. What is the basic distinction between narrow and broad money?

(a) Treatment of post office deposits
(b) Treatment of time deposits of banks
(c) Treatment of savings deposits of banks
(d) Treatment of currency

120. M1 measure of money supply is defined as M1 = CU + DD, where CU is currency held by the public and DD is 'net' demand deposits held by commercial banks. What does the word 'net' imply here?

(a) Only deposits of the public held by the banks are to be included in money supply
(b) The inter-bank deposits, which a commercial bank holds in other commercial banks, are not to be regarded as part of money supply
(c) Both of the above
(d) It implies aggregate monetary resources

121. Ram wants 1 kg of tomatoes and offers Suraj two litres of milk in exchange, but Suraj wants a pair of shoes instead. Which of the following problems is being faced by Ram and Suraj in their exchange process?

(a) Lack of double coincidence of wants
(b) Absence of a common unit of value
(c) Lack of store of value
(d) Lack of standard of deferred payment

122. Consider the following statements:
I. M1 is a broad concept of money.
II. M2 is a narrow concept of money.
III. M3 includes both M1 and time deposits of the public with banks.
Which of the following is true with respect to the concept of money supply?
(a) I and II
(b) III only
(c) II and III
(d) I, II and III

123. Currency issued by the Central Bank is called:
(a) Fiat money
(b) Legal tender
(c) High-powered money
(d) All of the above

124. Money is the most liquid of all assets because:
(a) It has portability
(b) It can be easily stored
(c) It is readily convertible into other assets
(d) It is generally acceptable

125. A person can withdraw money by issuing a cheque. What is a cheque?
(a) Loan taken by the bank
(b) Loan taken by the depositor from the bank
(c) A paper instructing the bank to pay a specific amount
(d) A paper valid to withdraw money

126. State True or False: 'Metallic coins are easily more portable than paper notes.'
(a) True
(b) False

127. State True or False: 'Token coins are such coins whose face value is greater than their intrinsic value.'
(a) True
(b) False

128. State True or False: 'Fiat money is a non-interest-bearing debt.'
(a) True
(b) False

129. State True or False: 'The M3 measure is the best indicator of cash flow in the economy.'
(a) True
(b) False

130. The difference between the interest rate that banks pay to depositors and the rate they charge borrowers is called:
(a) Spread
(b) Bank rate
(c) Margin requirement
(d) Reserve ratio

131. Which of the following interest rates is applicable to short period lending?
(a) Repo Rate

(b) Bank Rate
(c) Reverse Repo Rate
(d) Both Repo Rate and Reverse Repo Rate

132. Bank rate for controlling credit is applicable in the:
(a) Very short run
(b) Short run
(c) Medium run
(d) Long run

133. If the value of the money multiplier is 4, the value of LRR is:
(a) 20%
(b) 25%
(c) 40%
(d) 50%

134. The sum of primary deposits and secondary deposits of the commercial banks constitutes:
(a) Total demand deposits or deposit money
(b) High powered money
(c) Bank capital
(d) Cash reserves

135. The signature of ____ appears on the Rs. 2000 currency note.
(a) Finance Minister
(b) RBI Governor
(c) Prime Minister
(d) President of India

136. Assertion (A): Repo rate is fixed by the Reserve Bank of India, while Reverse Repo rate is fixed by the commercial banks themselves.
Reason (R): Both repo rate and reverse repo rate are fixed by the Reserve Bank of India.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

137. Assertion (A): Banks issue currency.
Reason (R): Commercial bank is an institution that provides accepting deposits and providing loans to the public.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

138. Assertion (A): An increase in CRR results in a decrease in the value of the multiplier.
Reason (R): Banks lend money many times more than their cash reserves.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

139. State True or False: 'RBI acts as the banker to the central government and commercial banks act as banker to the state governments.'
(a) True

(b) False

140. Which one is included in the primary function of money?

(a) Medium of Exchange
(b) Measure of Value
(c) Both of the above
(d) None of these

141. The central bank can increase the availability of credit by:

(a) Raising repo rate
(b) Raising reverse repo rate
(c) Buying government securities
(d) Selling government securities

142. When the central bank acts as a banker to the government, what does it do?

(a) It carries out government transactions
(b) It advises on monetary and financial matters
(c) It keeps accounts of the government
(d) It carries out government transactions, advises on monetary and financial matters and keeps accounts of the government

143. What will be the effect of an increase in the Repo Rate on the money supply?

(a) Money supply will increase
(b) Money supply will decrease
(c) Money supply will remain the same
(d) Money supply will initially increase and then it will decrease

144. In a hypothetical economy, Mr. Neeraj has deposited ₹100 in the bank. If it is assumed that there is no other currency in circulation in the economy, then the total money supply in the economy will be:

(a) Zero
(b) ₹100
(c) Not defined
(d) ₹120

145. Read the following statements carefully and choose the correct alternative:

Statement 1 – Central bank lends money to borrowers at a very low interest.

Statement 2 – Ministry of finance circulates all mint and one rupee notes in India.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

146. Read the following statements carefully and choose the correct alternative:

Statement 1 – The value of the money multiplier is determined by the reserve ratio prevailing in the monetary system.

Statement 2 – The process of credit creation is inversely related to the value of the reserve ratio.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

147. Assertion (A): Central bank as a banker to government, works as a financial advisor.

Reason (R): Government borrows internally from banks and general public.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

148. Assertion (A): LRR represents the minimum reserve ratio essential to be maintained by banks.
Reason (R): Banks create deposits in the process of making loans to their customers.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

149. Assertion (A): The Central Bank is also known as the bank of issue.
Reason (R): The Central Bank enjoys the sole monopoly of issuing currency to ensure control over the volume of currency and money supply.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

150. Assertion (A): Demand deposits are created by commercial banks.
Reason (R): Demand deposits form a significant part of the total money supply in the economy.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

151. Assertion (A): Only net demand deposits held by commercial banks are taken as part of money supply.
Reason (R): Only deposits of the public held by the banks are included in money supply.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

152. Assertion (A): Credit creation is inversely related to the Legal Reserve Ratio.
Reason (R): LRR is fixed by the market forces of demand and supply.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

153. Assertion (A): Credit creation process increases the money supply in the economy.
Reason (R): Through the credit creation process, commercial banks can distribute loans many times as compared to their primary deposits.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

154. Assertion (A): Settlement of liabilities of commercial banks is done by RBI.
Reason (R): RBI holds the accounts of all commercial banks and commercial banks keep funds in it essentially.
(a) Both A and R are true and R is the correct explanation of A

(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

155. Assertion (A): Statutory liquidity ratio is the ratio of demand deposits of a commercial bank which it has to keep with itself in the form of specified liquid assets.
Reason (R): Statutory liquidity ratio is a component of legal reserve ratio, which affects the credit creation in the economy.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

156. Which of the following tools are used by the central bank to control the flow of money in the domestic economy?
(a) Fiscal tools
(b) Quantitative monetary tools
(c) Qualitative monetary tools
(d) Both quantitative and qualitative monetary tools

157. Which of the following steps should be taken by the central bank if there is an excessive rise in the foreign exchange rate?
(a) Supply foreign exchange from its stock
(b) Demand more of other foreign exchange
(c) Not intervene in the market as the exchange rate is determined by market forces
(d) Help the central government to stabilize the foreign exchange rate

158. The central bank does NOT perform which of the following functions?
(a) Conducts sale and purchase of securities for foreign governments
(b) Acts as a lender of the last resort
(c) Controls money supply and credit
(d) Manages the nation's reserves of international currency

159. The monetary policy generally targets to ensure:
(a) Price stability in the economy
(b) Employment generation in the country
(c) Stable foreign relations
(d) Greater tax collections for the government

160. How does an increase in deposits with commercial banks affect the credit creation process?
(a) Credit creation process will increase
(b) Credit creation process will remain unaffected
(c) Credit creation process will reduce
(d) None of the above

161. According to RBI data on money supply growth, what is indicated by increasing bank deposits during a period of economic uncertainty?
(a) People prefer to save more now
(b) Income levels of people are increasing
(c) People prefer to keep money in bank accounts after demonetisation
(d) All of the above

162. The Reserve Bank of India lowered the reverse repo rate to discourage banks from parking idle funds with:

(a) The RBI
(b) Commercial Banks
(c) The Government
(d) NABARD

163. Reverse repo rate is ____ (increased/decreased) to correct a situation of excess demand.
(a) Increased
(b) Decreased
(c) Kept constant
(d) Made zero

164. Which of the following is related to the barter system of exchange?
(a) Double coincidence of wants
(b) Common unit of value
(c) Limited exchange
(d) Both double coincidence of wants and limited exchange

165. Which of the following systems governs note issuing in India?
(a) Proportionate system
(b) Minimum reserve system
(c) Fixed fiduciary issue system
(d) Simple deposit system

166. Which of the following is NOT concerned with banking organization?
(a) Bank rate
(b) Fiscal deficit
(c) Credit creation
(d) Cash reserve ratio

167. Identify the incorrect feature(s) of money supply (M1) from the following: (i) It is measured at a point of time. (ii) It does not include stock of money held by the government. (iii) It is always the currency in the hands of the Central Bank of a nation.
(a) (i) and (ii)
(b) (ii) and (iii)
(c) (ii) only
(d) (iii) only

168. Read the following statements carefully: Statement 1: Money is a commodity which is generally accepted as a medium of exchange. Statement 2: Money solved the problem of double coincidence of wants. In the light of the given statements, choose the correct alternative from the following:
(a) Statement 1 is true and statement 2 is false.
(b) Statement 1 is false and statement 2 is true.
(c) Both statements 1 and 2 are true.
(d) Both statements 1 and 2 are false.

169. Identify the incorrect statement with reference to Cash Reserve Ratio (CRR):
(a) It is a certain percentage of demand and time deposit liabilities that every bank must keep as cash reserves with the Central Bank.
(b) It is fixed by the Central Bank.
(c) It is not binding on the commercial banks.
(d) It is a tool used by the Central Bank to control the credit creation in the economy.

170. According to the Reserve Bank of India's (RBI's) Statistical Supplement released on 19th May, 2023: "India's foreign exchange reserves grew for the third straight week and reached near an approximate level of $ 600 billion." The above situation will ____ the ____ side of Balance of Payments account of India. (Choose the correct alternative to fill in the blanks)

(a) Increase, Credit
(b) Decrease, Credit
(c) Decrease, Debit
(d) Increase, Debit

171. Read the following statements carefully: Statement 1: Reserve ratio and Credit creation process are inversely related. Statement 2: Central Bank of an economy performs the vital function of controlling the credit creation process. In light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

172. In order to discourage any fall in Aggregate Demand, the Government of India may ____ the ____ (Choose the correct alternative to fill in the blanks)

(a) decrease, repo rate
(b) increase, reverse repo rate
(c) decrease, government expenditure
(d) decrease, tax rate

173. Choose the correct alternative to complete the given schedule : Round Deposits Loans (90%) Reserve Ratio (10%) I 2000 1800 200 II ...(i)... ...(ii)... 180 ... ... Total ...(iii) ... ...(iv) ... 2000

(a) 2000, 1620, 20000, 18000
(b) 1800, 180, 2000, 18000
(c) 1620, 180, 2000, 18000
(d) 1800, 1620, 20000, 18000

174. The Central Bank can reduce the Money Supply in the economy by ____ the ____. (Fill up the blanks with correct alternative.)

(a) increasing, bank rate
(b) decreasing, cash reserve ratio
(c) decreasing, bank rate
(d) buying, government securities

175. Identify the incorrect feature(s) of the Money Supply in an economy, from the following: (i) It is measured during a period of time. (ii) It includes stock of money held by the government of a nation. (iii) It always represents the currency held with Central Bank of the Nation.

(a) (i) only
(b) (ii) and (iii)
(c) (i) and (ii)
(d) (i), (ii) and (iii)

176. "Mr. Sahotra borrowed funds from bank for purchasing a new house". From the above statement, identify the indicated function of money:

(a) Medium of exchange
(b) Store of value
(c) Unit of account
(d) Standard of deferred payments

177. If in an economy the initial deposits are ₹ 4,000 crore and Reserve Ratio (RR) is 10%. The value of total deposit created would be ₹ ____ crore. (Fill up the blank with the correct alternative)

(a) 4,000
(b) 40,000
(c) 2,000
(d) 20,000

178. ____ is the total volume of money held by the public, for the purpose of disposing off, at a particular point of time. (Choose the correct alternative to fill in the blank)

(a) Term deposits
(b) Demand for money
(c) Money supply
(d) Credit creation

179. Suppose in a hypothetical economy, the Central Bank increases the reserve ratio from 10% to 25%. Keeping the amount of initial deposits constant at ₹ 1,000 crore, the amount of total money creation would be ₹____ crore. (Choose the correct alternative to fill in the blank)

(a) 10,000
(b) 4,000
(c) 6,000
(d) 5,000

180. "Irfaan (a student) borrows ₹ 80,000 to finance his college fee. He plans to begin repaying the loan six months after his graduation, making payments over a span of ten years." Based on above text, identify the indicated function of money. (Choose the correct option) Options:

(a) Medium of Exchange
(b) Unit of Account
(c) Standard of Deferred Payments
(d) Store of Value

181. In the context of the Commercial Banks, which of the following statements are correct? (Choose the correct option) (I) Deposits received are liabilities for Commercial Banks. (II) They are creator of credit in the economy. (III) They accept deposits from general public. (IV) They accept deposits on behalf of Reserve Bank of India. Options:

(a) (I), (II), and (III)
(b) (II) and (III)
(c) (I) and (II)
(d) (I) and (IV)

182. The monetary policy is formulated by the ____ in the Indian economy. (Choose the correct option to fill up the blank)

(a) Central Government
(b) State Governments
(c) Reserve Bank of India
(d) World Bank

183. As the Banker to the Bank, Reserve Bank of India performs all functions except ____. (Choose the correct option to fill up the blank)

(a) Purchase and sale of securities on behalf of general public
(b) Maintaining current account for Commercial Banks
(c) Clearing and settlement of Interbank transactions
(d) Facilitating governmental transactions

184. Read the following statements carefully: Statement 1: The government may reduce the repo rate, to control deflationary gap prevailing in the economy. Statement 2: The government may reduce the deflationary gap, by selling off government securities (G-Sec) in the open market. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

185. Read the following statements carefully : Statement 1: During deflationary gap, the Central Bank of a country may increase the repo rate. Statement 2: The government can reduce the deflationary gap by purchasing Government Securities (G-Sec) in the open market. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

186. Central Bank can decrease the money supply in the economy by ____. (Choose the correct option to fill in the blank)

(a) lowering the cash reserve
(b) increasing the bank rate
(c) lowering the bank rate
(d) purchase of G-Secs (Government Securities)

187. If the total credit created by the banks is ₹ 500 and Reserve Ratio is 20%, the value of primary deposits would be ____. (Choose the correct option to fill in the blank)

(a) ₹ 200
(b) ₹ 300
(c) ₹ 100
(d) ₹ 500

188. Read the following statements carefully: Statement 1: The price of a given currency in terms of another is known as bank rate. Statement 2: Demand curve for foreign exchange is a downward sloping curve. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

189. ____ releases data of money supply in India. (Choose the correct option to fill in the blank)

(a) Corporation Bank
(b) Reserve Bank of India
(c) Commercial Banks
(d) State Bank of India

190. Commercial banks are regarded as money creators because: (Choose the correct option)

(a) they purchase securities from the Central Bank.
(b) loans provided by them create deposits.
(c) they act as a banker to the government.
(d) they regulate the lending rate in the economy

191. Read the following statements carefully: Statement 1: Open Market Operations refers to purchase/sale of Government Securities (G- Sec) by the Central Bank. Statement 2: To decrease money supply, Central Bank will

sell the Government Securities to commercial banks. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

192. In an imaginary economy, maintaining a Cash Reserve Ratio of 20% with primary deposits of ₹ 1,000, the total derivative deposits created by banks would be ₹ ____. (Choose the correct alternative to fill in the blank)

(a) 5,000
(b) 1,000
(c) 4,000
(d) 3,000

193. Identify, which of the following are the correct features of money supply in an economy. (Choose the correct alternative) (i) It is a stock concept. (ii) It includes money held by banks and government. (iii) It is a flow concept. (iv) It includes money held by households and firms.

(a) (i) and (iv)
(b) (ii) and (iii)
(c) (iii) and (iv)
(d) (i) and (ii)

194. Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: Assertion (A): Money is of perishable nature and is generally accepted by all at any point of time. Reason (R): Money serves as a store of value, facilitating individuals to transfer purchasing power from the present to the future. Options:

(a) Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

195. "In the Indian Banking System, the Statutory Liquidity Ratio (SLR) plays a vital role in controlling the credit creation capacity of the Commercial Banks, as it ____." (Choose the correct option to fill in the blank)

(a) ensures that all the deposits are converted into liquid assets.
(b) requires banks to maintain a percentage of deposits in the form of liquid assets.
(c) sets the maximum interest rate which the banks can charge on loans.
(d) promote banks from lending beyond a specific proportion of their total reserves.

196. 'In an economy, the currency held by the public, Net Demand Deposits with Commercial Banks and Net Time Deposits with Commercial Banks stand at ₹ 1,42,000 crore, ₹ 22,000 crore and ₹ 86,000 crore respectively. The value of Money Supply (M1) would be ₹ ____ crore. (Choose the correct option to fill in the blank) Options:

(a) 2,50,000
(b) 86,000
(c) 1,64,000
(d) 1,42,000

197. Identify, that function of money, which has effectively solved the problem of 'double coincidence of wants' in a transaction. Options:

(a) Standard of deferred payments
(b) Store of value
(c) Measure of value
(d) Medium of exchange

198. Sumit deposited ₹ 10 lakh in his savings account. The deposits made by him is a part of ____ in the M1 measure of money supply. (Choose the correct option to fill in the blank) Options:

(a) Currency held by public
(b) Interbank deposits
(c) Demand deposits with commercial banks
(d) Term deposits with Reserve Bank of India (RBI)

199. Identify, which one of the following is not a function of Reserve Bank of India as a bank, agent and advisor to the government. Options:

(a) Carries out banking business of the government.
(b) Manages national debt.
(c) Advises on financial matters.
(d) Conducts periodic inspections.

200. Under ____ exchange rate system, the competent authority may devalue currency to increase exports. (Choose the correct option to fill in the blank) Options:

(a) Fixed
(b) Floating
(c) Managed
(d) Fixed floating

201. Suppose, a banking system received primary deposits of ₹ 1,000 and as a result commercial banks created credit worth ₹ 5,000. The value of Reserve Ratio in the given situation would be ____ percent. (Choose the correct option to fill in the blank)

(a) 10
(b) 20
(c) 25
(d) 40

202. Reserve Bank of India (RBI) performs the function of Banker to the Banks by acting as a: (i) Clearing House (ii) Custodian of Cash Reserves (iii) Lender to the Government (iv) Periodic inspection of Banks Options:

(a) (i) and (ii)
(b) (ii) and (iii)
(c) (i), (ii) and (iv)
(d) (i) and (iv)

203. Money supply is a ____ variable, as it refers to the total volume of money held by the ____ at a particular point of time. (Choose the correct option to fill in the blanks)

(a) stock, banks
(b) flow, banks
(c) stock, public
(d) flow, public

204. Suppose, for a hypothetical economy, Reserve Ratio (RR) decreases from 25% to 20%, the total deposits would ____ to ₹ ____, if primary deposits are ₹ 1,000. (Choose the correct option to fill in the blanks)

(a) increase, 5,000
(b) decrease, 5,000
(c) increase, 4,000
(d) decrease, 4,000

205. "Anil purchased a house costing ₹ 30 lakhs. For this, he took a bank loan, which he agreed to repay over a period of 25 years in fixed monthly instalments." Identify the function of money indicated in the above situation. (Choose the correct option)

(a) Medium of exchange
(b) Standard of deferred payments
(c) Medium of exchange and standard of deferred payments
(d) Store of value

206. Suppose the Reserve Bank of India (RBI) decides to keep the reserve ratio equal to 10%. The total deposits created will be ____ times the primary deposit. (Choose the correct option to fill in the blank)

(a) ∞ (Infinity)
(b) 1 (Unity)
(c) 0 (Zero)
(d) 10 (Ten)

207. "In recent times, the Reserve Bank of India has reduced the Repo Rate (RR)." The most likely objective of the Reserve Bank of India behind this policy change is to ____ the borrowing cost and ____ liquidity in the economy. (Choose the correct option to fill in the blanks)

(a) decrease, decrease
(b) increase, increase
(c) decrease, increase
(d) increase, decrease

208. Read the following statements carefully: Statement I: The measurement of value makes it easier to compare the relative worth of two commodities. Statement II: Money facilitates the act of sale and purchase of goods and services. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

209. Liabilities for any firm are its debt/what it owes to others. Contrary to that, for a bank ____ are the main liability. (Choose the correct option to fill in the blank)

(a) loans
(b) reserves
(c) deposits
(d) assets

Answer Key

1. (b) 2. (c) 3. (b) 4. (d) 5. (b)
6. (c) 7. (d) 8. (a) 9. (a) 10. (d)
11. (c) 12. (a) 13. (d) 14. (c) 15. (a)
16. (b) 17. (b) 18. (c) 19. (c) 20. (a)
21. (c) 22. (a) 23. (a) 24. (b) 25. (d)
26. (c) 27. (c) 28. (c) 29. (d) 30. (b)
31. (a) 32. (b) 33. (c) 34. (a) 35. (a)
36. (a) 37. (d) 38. (d) 39. (a) 40. (a)
41. (a) 42. (a) 43. (a) 44. (c) 45. (a)
46. (d) 47. (b) 48. (c) 49. (d) 50. (a)
51. (c) 52. (a) 53. (b) 54. (c) 55. (c)
56. (d) 57. (c) 58. (a) 59. (a) 60. (c)
61. (c) 62. (c) 63. (d) 64. (d) 65. (a)
66. (a) 67. (c) 68. (a) 69. (c) 70. (c)
71. (c) 72. (d) 73. (c) 74. (c) 75. (d)
76. (c) 77. (c) 78. (a) 79. (a) 80. (c)
81. (b) 82. (b) 83. (a) 84. (d) 85. (a)
86. (a) 87. (c) 88. (b) 89. (a) 90. (d)
91. (c) 92. (b) 93. (c) 94. (a) 95. (c)
96. (c) 97. (a) 98. (b) 99. (a) 100. (b)
101. (b) 102. (a) 103. (b) 104. (a) 105. (c)
106. (d) 107. (a) 108. (b) 109. (a) 110. (c)
111. (c) 112. (b) 113. (d) 114. (c) 115. (c)
116. (c) 117. (d) 118. (c) 119. (b) 120. (c)
121. (a) 122. (c) 123. (d) 124. (c) 125. (c)
126. (b) 127. (a) 128. (a) 129. (a) 130. (a)
131. (d) 132. (d) 133. (b) 134. (a) 135. (b)
136. (d) 137. (d) 138. (b) 139. (b) 140. (c)
141. (c) 142. (d) 143. (b) 144. (b) 145. (d)
146. (c) 147. (c) 148. (b) 149. (a) 150. (b)
151. (a) 152. (c) 153. (a) 154. (b) 155. (b)
156. (d) 157. (a) 158. (a) 159. (a) 160. (a)
161. (d) 162. (a) 163. (a) 164. (d) 165. (b)
166. (b) 167. (d) 168. (c) 169. (c) 170. (d)
171. (c) 172. (d) 173. (d) 174. (a) 175. (d)
176. (d) 177. (b) 178. (c) 179. (b) 180. (c)
181. (a) 182. (c) 183. (a) 184. (d) 185. (d)
186. (b) 187. (c) 188. (b) 189. (b) 190. (b)
191. (c) 192. (c) 193. (a) 194. (d) 195. (b)
196. (c) 197. (d) 198. (c) 199. (d) 200. (a)
201. (b) 202. (c) 203. (c) 204. (a) 205. (c)
206. (d) 207. (c) 208. (c) 209. (c)

Unit 3: Determination of Income and Employment

224 Questions

Questions

1. Assertion (A): APS can never be one or more than one.
Reason (R): APC increases with an increase in income.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

2. Assertion (A): MPC of the poor is more than that of the rich.
Reason (R): MPC falls with successive increase in income.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

3. Assertion (A): Multiplier explains how many times income increases due to increase in investment.
Reason (R): There is an inverse relationship between MPS and investment multiplier.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

4. Assertion (A): Full employment means AS=AD with fuller resource utilization, not zero unemployment.
Reason (R): Full employment means absence of unemployment in the economy.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

5. Assertion (A): When investment multiplier is 1, MPC is also 1.
Reason (R): Consumption can exceed income but savings cannot.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

6. Assertion (A): Higher MPC leads to higher multiplier and more economic growth.
Reason (R): Investment generates income, and additional consumption expenditure repeats till $\Delta Y = K \times \Delta I$.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

7. Assertion (A): Unplanned inventories accumulate when planned investment is less than planned savings.
Reason (R): In deficient demand, AD is less than AS as buyers spend less.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation

(c) A true but R false
(d) A false but R true

8. Statement 1: AD is a flow concept.
Statement 2: AD and AS are the major tools of macroeconomic analysis.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both true
(d) Both false

9. Assertion (A): Monetary policies are RBI policy.
Reason (R): Fiscal policies are Government policy.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

10. Statement 1: When investment multiplier is 1, MPC is zero.
Statement 2: When investment multiplier is zero, MPC is one.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both true
(d) Both false

11. Assertion (A): If MPC is higher, investment multiplier is also higher.
Reason (R): There exists a direct relationship between MPC and the value of multiplier.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

12. With reference to the 'Paradox of Thrift', an increase in the proportion of income saved by all individuals can:
(a) Increase total savings in the economy
(b) Decrease total savings in the economy
(c) Not change total savings
(d) Both (b) and (c) possible

13. Statement 1: Excess demand leads to a rise in the general price level.
Statement 2: Excess demand does not affect output as full employment is already attained.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both true
(d) Both false

14. Statement 1: Voluntary unemployment may arise as a result of deficient demand.
Statement 2: Fall in consumption and investment demand may create deficient demand.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both true
(d) Both false

15. Assertion (A): Inflationary gap is the result of excess demand.

Reason (R): When AD is more than AS, an inflationary gap occurs.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

16. Assertion (A): Bank rate is increased to control excess demand.

Reason (R): Bank rate helps control money supply.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

17. Assertion (A): Increase in reverse repo rate helps correct excess demand.

Reason (R): Credit creation capacity of commercial banks increases when reverse repo rate rises.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

18. Assertion (A): Deficient demand leads to underemployment equilibrium.

Reason (R): During deficient demand, equilibrium is at a level less than full employment.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

19. Assertion (A): Output remains constant even beyond full employment equilibrium.

Reason (R): Full employment equilibrium output is the maximum output.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

20. Assertion (A): In excess demand at full employment, there is inflation.

Reason (R): At full employment, output cannot increase even if demand rises.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

21. Statement-1: Inflationary gap is the amount by which actual AD exceeds the AD required for full-employment equilibrium.

Statement-2: Deflationary gap is a measure of excess AD.

(a) Both true
(b) Both false
(c) Statement-1 true, 2 false
(d) Statement-2 true, 1 false

22. Statement-1: Deficient demand gives rise to a deflationary gap.

Statement-2: Deflationary gap causes income to decline, pushing the economy into under-employment equilibrium.

(a) Both true

(b) Both false
(c) Statement-1 true, 2 false
(d) Statement-2 true, 1 false

23. Assertion (A): Monetary measures are adopted by the central bank to control deficient demand.
Reason (R): Fiscal measures are adopted by the government through the budget to control excess demand.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true but R false
(d) A false but R true

24. Multiplier will be lower with which of the following?
(a) High marginal propensity to consume
(b) Low marginal propensity to consume
(c) High marginal propensity to invest
(d) Low marginal propensity to save

25. If consumption at zero level of income is ₹50 crore, MPC is 0.6, and national income is ₹1,000 crore, savings will be:
(a) 650 cr
(b) 450 cr
(c) 350 cr
(d) None of the above

26. When savings are zero, APC will be:
(a) Zero
(b) One
(c) Less than one
(d) More than one

27. If MPC = 0, the value of the multiplier is:
(a) 0
(b) 1
(c) Between 0 and 1
(d) Infinity

28. If planned spending is greater than planned output in an economy, which effects follow?
i) Decrease in planned inventories ii) Rise in National Income iii) Decrease in real output iv) Decrease in employment
(a) Only (i)
(b) (i) and (ii)
(c) (iii) and (iv)
(d) (ii), (iii) and (iv)

29. If the value of Investment Multiplier (K) is 5, the relevant saving function would be:
(a) $S = –60 + 0.25Y$
(b) $S = –60 + 0.75Y$
(c) $S = –60 + 0.20Y$
(d) $S = –60 + 0.60Y$

30. If the consumption function is $C = 100 + 0.4Y$, the investment multiplier is:
(a) 1.67
(b) 0.4

(c) 2.5
(d) 0.6

31. Consumption curve makes an intercept on the Y-axis above the origin. This indicates:
(a) Saving is negative when income is zero
(b) Savings is positive when income is zero
(c) Consumption is positive when income is zero
(d) Both (b) and (c)

32. If C = 100 + 0.75Y, the corresponding Saving Function is:
(a) S = 75 + 0.25Y
(b) S = 100 + 0.25Y
(c) S = -100 + 0.75Y
(d) S = -100 + 0.25Y

33. At zero level of income, consumption is:
(a) Positive
(b) Zero
(c) Negative
(d) All of these

34. If increase in National Income equals increase in consumption, MPS is:
(a) Greater than one
(b) Equal to unity
(c) Less than one
(d) Equal to zero

35. If in an economy, investment multiplier is 4 and Autonomous Consumption is ₹30 crore, the consumption function is:
(a) C = 30 - 0.25Y
(b) C = 30 + 0.75Y
(c) C = -30 + 0.25Y
(d) C = 30 - 0.75Y

36. Statement 1: The value of MPS ranges from 0 to 1.
Statement 2: If consumption and savings curves are parallel, investment multiplier is 2.
(a) Both true
(b) Statement 1 true, 2 false
(c) Statement 2 true, 1 false
(d) Both false

37. In an economy, S = –100 + 0.2Y and I = –30 + 0.1Y. The equilibrium level of income is:
(a) 70
(b) 7,000
(c) 600
(d) 700

38. Assertion: There is an inverse relationship between investment multiplier and MPC.
Reason: Saving is a leakage in the circular flow. Greater the savings, lower the multiplier.
(a) Both true, R correct explanation
(b) A true, R false
(c) A false, R true
(d) Both true, R not correct explanation

39. Assertion: Full employment implies zero unemployment.
Reason: There are certain voluntarily and involuntarily unemployed persons and a level of natural unemployment always exists.
(a) A true, R false
(b) A false, R true
(c) Both true, R correct explanation
(d) Both true, R not correct explanation

40. Read: Assertion (A): Ex-ante Investments are actual investments, whereas Ex-post Investments are planned.
Reason (R): At equilibrium, Ex-ante Savings and Ex-ante Investments are always equal.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

41. Assertion (A): Saving curve makes a negative intercept on the vertical axis at zero income.
Reason (R): Saving function is the functional relationship between saving and income.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

42. Which of the following is NOT a reason for excess demand?
(a) Fall in the propensity to consume
(b) Reduction in taxes
(c) Increase in investments
(d) Deficit financing

43. During excess demand, the central bank ____ the margin requirement.
(a) Decreases
(b) Increases
(c) Removes
(d) Does not change

44. To reduce credit availability in the economy, the central bank may:
(a) Buy securities in the open market
(b) Sell securities in the open market
(c) Reduce reserve ratio
(d) Reduce repo rate

45. If MPS = 0.4, the change in Consumption Expenditure when income increases by ₹100 is:
(a) 40
(b) 50
(c) 60
(d) 70

46. What is fiscal policy?
(a) Policy of the government relating to revenue and expenditure
(b) Policy of the central bank relating to money supply
(c) Both government and central bank policy
(d) None of these

47. During inflation, fiscal measures to control excess demand include:

(a) Increasing government expenditure
(b) Reducing taxes
(c) Reducing government expenditure and increasing taxes
(d) Increasing subsidies

48. Monetary measures to control deficient demand include:
(a) Increasing bank rate
(b) Increasing CRR/SLR
(c) Lowering bank rate, CRR and SLR
(d) Increasing margin requirement

49. Statement 1: The Marginal Propensity to Consume (MPC) indicates the proportion of additional income that is saved.
Statement 2: The value of the multiplier is inversely related to the Marginal Propensity to Save (MPS).
(a) Both Statements are true
(b) Statement 1 true, Statement 2 false
(c) Statement 1 false, Statement 2 true
(d) Both Statements are false

50. Statement 1: Full employment equilibrium implies a situation where there is no unemployment in the economy.
Statement 2: Underemployment equilibrium occurs when the equilibrium level of output is less than the full employment level of output.
(a) Both Statements are true
(b) Statement 1 true, Statement 2 false
(c) Statement 1 false, Statement 2 true
(d) Both Statements are false

51. If an upward sloping straight-line consumption function makes a positive intercept on the Y-axis, then as income increases, MPC ____ and APC ____.
(a) Remain constant, rises
(b) Rises, rises
(c) Remain constant, falls
(d) Falls, falls

52. Assertion (A): When MPC increases, the value of the multiplier also increases.
Reason (R): Multiplier is inversely related to MPC.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

53. Assertion (A): Autonomous consumption exists even when income is zero.
Reason (R): Autonomous consumption depends on the level of income.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

54. Statement I: Investment multiplier is defined as the ratio of change in investment due to change in income.
Statement II: The value of the multiplier varies inversely with MPS — higher the MPS, the lower will be the size of the multiplier and lower the MPS, the larger will be the value of the multiplier.
(a) Statement I is true and Statement II is false
(b) Statement I is false and Statement II is true

(c) Both statements I and II are true
(d) Both statements I and II are false

55. Assertion (A): At Break-even point, consumption is equal to National Income.
Reason (R): APC falls continuously with an increase in income as the proportion of income spent on consumption keeps on decreasing.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

56. Autonomous expenditure in any economy is:
(a) Sum total of Autonomous consumption and Investment
(b) Difference between Autonomous consumption and Investment
(c) Same as Autonomous Consumption
(d) There is no such thing as Autonomous expenditure

57. Statement 1: MPC can be more than 1 but not 0.
Statement 2: APC can be more than 1 but not 0.
(a) Statement 1 is true and Statement 2 is false
(b) Statement 1 is false and Statement 2 is true
(c) Both statements are true
(d) Both statements are false

58. Assertion (A): AS increases proportionate to the increase in Aggregate demand as long as there is excess capacity in the economy.
Reason (R): Excess capacity arises because of the deficiency of demand, so that as demand increases, supply increases proportionately.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

59. What causes the Aggregate Demand curve to swing downward from AD1 to AD2?
(a) Increase in Marginal Propensity to Consume
(b) Decrease in Marginal Propensity to Consume
(c) Stable Marginal Propensity to Consume
(d) Decrease in Marginal Propensity to Save

60. If MPC and MPS are equal, what will be the value of the multiplier?
(a) 2
(b) 1
(c) 0
(d) Infinity

61. Assertion (A): The government can reduce the inflationary gap by selling government securities in the open market.
Reason (R): The Central Bank sells government securities in the open market to decrease the lending capacity of commercial banks.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

62. 'To control inflation, the government has reduced its expenditure on non-essential projects and increased interest rates.' Which budgetary objective is the government trying to achieve?

(a) Redistribution of income
(b) Economic growth
(c) Economic stability
(d) Economic instability

63. Statement 1: Actual stocks include both desired as well as undesired stock.
Statement 2: Only undesired inventory stocks are zero when AS = AD.

(a) Statement 1 is true and Statement 2 is false
(b) Statement 2 is true and Statement 1 is false
(c) Both statements are true
(d) Both statements are false

64. Assertion (A): Slope of the saving function is always positive.
Reason (R): Saving is negative to the extent consumption is positive when income is zero.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

65. If the government of a nation is trying to curtail the situation of an inflationary gap, arrange the following in the correct sequential order: i) Decrease in disposable income, ii) Increase in taxes, iii) Decrease in Aggregate Demand.

(a) i, ii, iii
(b) iii, ii, i
(c) ii, iii, i
(d) ii, i, iii

66. As per an RBI press report, 'Net external commercial borrowings to India recorded an outflow of US$0.4 billion in the second quarter (2022-23).' This transaction will be recorded in the ____ account on the ____ side of India's Balance of Payments.

(a) Current, credit
(b) Current, debit
(c) Capital, credit
(d) Capital, debit

67. The consumption function of an economy is C = ₹80 + 0.70Y. Which of the following is true for the economy?
i) Even if the country has no income, its citizens still consume ₹80 crore.
ii) The value of MPC is 0.7.
iii) At zero level of income, consumption is also zero.

(a) Only (i) and (ii)
(b) Only (ii) and (iii)
(c) Only (i) and (iii)
(d) (i), (ii) and (iii)

68. In an economy, a 20 percent increase in investment results in a 100 percent increase in income. Calculate the value of the investment multiplier.

(a) 5
(b) 4
(c) 3
(d) 2

69. Statement 1: The value of marginal propensity to consume can be greater than one.

Statement 2: Change in consumption can be greater than change in income.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

70. If MPC is four times MPS and consumption at zero level of income is ₹70 crore, the relevant consumption function would be:

(a) C = 70 + 0.2Y
(b) C = -70 + 0.2Y
(c) C = 70 + 0.8Y
(d) C = -70 + 0.8Y

71. Full employment implies absence of:

(a) Unemployment
(b) Voluntary unemployment
(c) Involuntary unemployment
(d) None of these

72. If the consumption function in an economy is given as C = 40 + 0.6Y, then MPS is:

(a) 1
(b) 0.4
(c) 0.6
(d) None of these

73. Statement 1: Slope of the Saving function is indicated by MPC.

Statement 2: The value of marginal propensity to save can be greater than one.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are false
(d) Both statements 1 and 2 are true

74. Graphically, the Aggregate Supply function can be obtained by vertically adding the ____ and ____ function.

(a) Consumption, Saving
(b) Consumption, Investment
(c) Investment, Saving
(d) Aggregate Supply, Consumption

75. Statement 1: Ex-ante savings are the planned savings or expected savings.

Statement 2: When people who are willing to work at the given wage rate do not get work, it is called involuntary unemployment.

(a) Statement 1 is true and Statement 2 is false
(b) Statement 1 is false and Statement 2 is true
(c) Both Statements 1 and 2 are true
(d) Both Statements 1 and 2 are false

76. Statement 1: Aggregate demand is the sum total of consumption and investment expenditures.

Statement 2: Total consumption consists of an autonomous component and an induced component.

(a) Statement 1 is true and Statement 2 is false
(b) Statement 1 is false and Statement 2 is true
(c) Both Statements 1 and 2 are true
(d) Both Statements 1 and 2 are false

77. Average Propensity to Consume can never be:

(a) Positive
(b) Zero
(c) More than one
(d) Less than one

78. If MPC = 0.5, the value of the investment multiplier is:

(a) 2
(b) 3
(c) 4
(d) 5

79. Statement 1: When income is zero, consumption is never zero.
Statement 2: In the initial period, APC will be more than one.
Choose the correct alternative.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and statement 2 is false
(d) Statement 2 is true and statement 1 is false

80. Suppose in a hypothetical economy, income rises from ₹2,000 crore to ₹4,000 crore. As a result, consumption expenditure rises from ₹1,000 crore to ₹2,000 crore. The Marginal Propensity to Consume in this case would be:

(a) 0.8
(b) 0.4
(c) 0.2
(d) 0.5

81. Assertion (A): MPC represents the slope of the consumption function.
Reason (R): MPC represents the change in consumption due to a given change in income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

82. Suppose in a hypothetical economy, income rises from ₹5,000 crore to ₹6,000 crore. As a result, consumption expenditure rises from ₹4,000 crore to ₹4,600 crore. The Marginal Propensity to Consume in such a case would be:

(a) 0.8
(b) 0.6
(c) 0.4
(d) 0.2

83. What is a fiscal measure of correcting deficient demand?

(a) Increase in public expenditure and decrease in taxes
(b) Decrease in public debt
(c) Deficit financing
(d) All of these

84. The value of the investment multiplier is:

(a) 1/MPC
(b) 1/MPS
(c) 1/(1-MPS)
(d) 1/(MPC-1)

85. Statement 1: The increase in aggregate income will lead to increased consumption or saving; it is not possible for savings and consumption to decrease when income increases.

Statement 2: Aggregate consumption increases with an increase in aggregate income, but the increase in consumption is less than the increase in income; aggregate consumption decreases with a decrease in aggregate income, but the decrease in consumption is less than the decrease in income.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

86. If the ratio of marginal propensity to consume and marginal propensity to save is 8:2, identify the change in income.

(a) Increase in income will be greater than increase in investment
(b) Decrease in income will be greater than decrease in investment
(c) Change in income is equal to change in investment
(d) Both (a) and (b)

87. Assertion (A): In a situation of excess demand, there is under-employment in an economy.

Reason (R): Excess demand raises the nominal value of the output.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

88. In an economy, saving increases from ₹(-)20 crore to ₹(-)10 crore as income increases from ₹0 to ₹50 crore. The value of MPS is:

(a) 0.1
(b) 0.2
(c) 0.5
(d) 0.8

89. If in an economy, the value of the investment multiplier is 2 and Autonomous Consumption is ₹15 crore, the relevant consumption function would be:

(a) C = 15 + 0.50Y
(b) C = (-)15 + 0.50Y
(c) C = 15 - 0.75Y
(d) C = 15 - 0.50Y

90. Assertion (A): Ex-post saving represents planned saving, whereas Ex-ante saving represents the actual level of savings.

Reason (R): Ex-ante saving is the amount that people plan to save, while Ex-post saving reflects the actual savings realized.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

91. If income increases from ₹2,500 crore to ₹3,900 crore due to an increase in autonomous investment of ₹350 crore, the MPC should be:

(a) 0.9
(b) 0.8
(c) 0.75
(d) 0.6

92. Which of the following is NOT a monetary measure to control excess demand in the economy?

(a) Repo rate
(b) Bank rate
(c) Taxation
(d) Margin requirement

93. Assertion (A): Real GDP is not a better indicator of Growth.
Reason (R): Real GDP is not affected by changes in the general price level.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Reason (R) is true but Assertion (A) is false

94. Which of the following statements stands true during a deflationary gap?

(a) Actual output falls short of potential output
(b) Potential output falls short of actual output
(c) Actual demand is less than expected demand
(d) Expected demand is less than actual demand

95. What will be the impact on money supply during a deflationary gap?

(a) Increase
(b) Decrease
(c) Remain constant
(d) Can't be predicted

96. Assertion (A): Autonomous consumption leads to negative savings.
Reason (R): People have to spend on such consumption from their past savings.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true and R is false
(d) A is false and R is true

97. Assertion (A): Greater the MPS, greater will be the value of the multiplier.
Reason (R): There is a negative and inverse relationship between MPS and the multiplier.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true and R is false
(d) A is false and R is true

98. Assertion (A): Economy always operates at the level of full employment.
Reason (R): Due to changes in aggregate demand, full employment may not always exist.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

99. Assertion (A): Ex-post investment includes both planned as well as unplanned investment.
Reason (R): Autonomous investment is independent of the level of income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

100. Assertion (A): Under a deflationary gap, involuntary unemployment occurs in the economy.
Reason (R): In a state of underemployment equilibrium, there is no excess capacity in the economy.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

101. Assertion (A): In case of deficient demand, the government must decrease the rate of taxes in the economy.
Reason (R): Taxes affect the disposable income and purchasing power of the general public in the economy.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

102. When C = 300 + 0.8Y and Y = 500, saving at zero income level will be:

(a) 300
(b) -300
(c) 1,100
(d) 800

103. Assertion (A): Excess demand refers to a situation when AD is in excess of AS corresponding to full employment in the economy.
Reason (R): AD is in excess when there is excess capacity in the economy.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

104. Assertion (A): Value of investment multiplier varies between one and infinity.
Reason (R): When investment multiplier is one, the value of marginal propensity to consume is also one.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

105. When planned saving is less than planned investment, it indicates a situation of:

(a) AD < AS
(b) AD = AS
(c) AD > AS
(d) None of these

106. Statement I: Inflationary gap is the gap showing excess of current aggregate demand over aggregate supply at the level of full employment.
Statement II: Fiscal policy is the policy of the central bank of a country to control money supply.
Choose the correct option.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement I is true and Statement II is false
(d) Statement II is true and Statement I is false

107. Assertion (A): Presence of autonomous consumption expenditure ensures that income will definitely increase in the initial phases of development.

Reason (R): Due to autonomous consumption expenditure, aggregate demand is always greater than income in initial phases, due to which income and output increase in the initial level.

(a) Both Assertion and Reason are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion and Reason are true and Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

108. Break-even point is a situation when:

(a) Consumption = National Income
(b) Saving = Investment
(c) Consumption = Saving
(d) Aggregate Demand = Aggregate Supply

109. Assertion (A): Lower the LRR, higher will be the credit creation; higher the LRR, lower will be the credit creation.

Reason (R): Money Multiplier is a multiple by which total deposits increase due to primary deposits. It shows the amount by which the initial deposit multiplies to form final deposits.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Reason (R) is true but Assertion (A) is false

110. Which of the following is NOT correctly matched?

(a) Fiscal Policy - public expenditure
(b) Excess Demand - Over full employment of resources
(c) LRR - CRR, SLR
(d) Deficient Demand - Rise in employment and output level

111. Deflationary gap arises when:

(a) Actual AD > Required AD
(b) Actual AD < Required AD
(c) Actual AD = Required AD
(d) None of these

112. 'At higher levels of income, people generally have a lower Marginal Propensity to Consume (MPC).' State True or False.

(a) True
(b) False

113. The Aggregate Demand curve starts from the:

(a) Origin
(b) X-axis
(c) Y-axis
(d) None of these

114. Breakeven point occurs when:

(a) Y = S
(b) S = 0
(c) Y = C
(d) Both (b) and (c)

115. The impact of 'Excess Demand' under the Keynesian theory of income and employment, in an economy at full employment, is:

(a) Decrease in income, output, employment and general price level
(b) Decrease in nominal income, but no change in real output
(c) Increase in income, output, employment and general price level
(d) No change in output/employment but increase in general price level

116. Assertion (A): The value of Average Propensity to Consume can be greater than one.
Reason (R): It is when total consumption is greater than total income (C > Y) before the break-even point.
(a) Both A and R are true and R is the correct explanation for A
(b) Both A and R are true and R is not the correct explanation for A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

117. Suppose in a hypothetical economy, the income rises from ₹5,000 crore to ₹8,000 crore. As a result, consumption expenditure rises from ₹4,000 crore to ₹5,000 crore. The Marginal Propensity to Consume in such a case would be:
(a) 0.3
(b) 0.4
(c) 0.5
(d) 0.6

118. Statement I: APC can be zero.
Statement II: Even at zero income, there has to be a minimum or subsistence level of consumption expenditure, called autonomous consumption.
Choose the correct option.
(a) Both the statements are true
(b) Both the statements are false
(c) Statement I is true and Statement II is false
(d) Statement II is true and Statement I is false

119. What will be the value of the Investment Multiplier if MPS (Marginal Propensity to Save) is 0.4?
(a) 1
(b) 2
(c) 2.5
(d) 3

120. In a given economy, C = 120 + 0.75Y and I = ₹500 crore (where C = Consumption, Y = National Income, I = Autonomous Investment). The equilibrium level of Income will be:
(a) ₹2,520 crore
(b) ₹2,380 crore
(c) ₹2,480 crore
(d) ₹2,500 crore

121. Statement 1: The equilibrium level of income in an economy is determined when aggregate demand is equal to aggregate supply.
Statement 2: Aggregate supply is depicted by a 45-degree line.
(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

122. Assertion (A): A high revenue deficit can cause inflation in the country.
Reason (R): Rising expenditure of the government can cause a rise in the aggregate demand in the country.
(a) A is true but R is false

(b) A is false but R is true
(c) Both A and R are true and R explains A
(d) Both A and R are true but R does not explain A

123. When aggregate demand is greater than aggregate supply, inventories:
(a) Fall
(b) Rise
(c) Do not change
(d) First fall then rise

124. Find the missing figures in the credit-creation table: Round I: Deposits 1,000, Loans (80%) 800, Reserve (20%) 200. Round II: Deposits 800, Loans (i), Reserve 160. Total: Deposits (ii), Loans (iii), Reserve (iv).
(a) Loans(i)=640, Total Deposits(ii)=1000, Total Loans(iii)=4000, Total Reserve(iv)=5000
(b) Loans(i)=960, Total Deposits(ii)=5000, Total Loans(iii)=4000, Total Reserve(iv)=1000
(c) Loans(i)=640, Total Deposits(ii)=4000, Total Loans(iii)=1000, Total Reserve(iv)=5000
(d) Loans(i)=640, Total Deposits(ii)=5000, Total Loans(iii)=4000, Total Reserve(iv)=1000

125. For a given economy, S = -60 + 0.1Y and I = ₹4,000 crore (where S = Saving Function, Y = National Income, I = Investment Expenditure). The equilibrium level of Income would be ₹____ crore.
(a) 4,000
(b) 40,000
(c) 40,600
(d) 60,400

126. Statement 1: Break-even point occurs when the value of APC = 1.
Statement 2: The saving curve starts below the origin point on the negative Y-axis because of autonomous consumption.
Choose the correct alternative.
(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

127. Statement 1: Flow of income is circular in a two-sector economy.
Statement 2: Savings are a stock concept.
Choose the correct alternative.
(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

128. In an economy, break-even point and equilibrium point may lie at the same level of income, if ex-ante investments are ____.
(a) Positive
(b) Negative
(c) Zero
(d) Infinite

129. If investment falls to zero, national income does not fall to zero because of:
(a) Autonomous consumption
(b) Induced investment
(c) Autonomous investment
(d) Multiplier

130. If MPS is 0.25 and the initial change in investment is ₹250 crore, then the final change in income would be:

(a) ₹1,000 crore
(b) ₹1,200 crore
(c) ₹5,000 crore
(d) ₹4,000 crore

131. If the value of Average Propensity to Consume (APC) is 0.8 and national income is ₹5,000 crore, the value of saving will be:

(a) ₹1,000 crore
(b) ₹800 crore
(c) ₹600 crore
(d) ₹500 crore

132. In an economy, MPC = 0.75. As a result of the multiplier mechanism, national income increased by ₹300 crore caused by an additional investment of:

(a) ₹400 crore
(b) ₹225 crore
(c) ₹1,200 crore
(d) ₹75 crore

133. Statement I: In an economy, if the consumption curve is parallel to the X-axis, the value of the investment multiplier will be zero.

Statement II: In an economy, if the saving curve is parallel to the X-axis, the value of the investment multiplier will be infinity.

(a) Both statements are true
(b) Both statements are false
(c) Statement I is true, Statement II is false
(d) Statement II is true, Statement I is false

134. Statement I: Margin requirement is raised by the central bank to control the situation of excess demand.

Statement II: To reduce inflation, the central bank should reduce the Cash Reserve Ratio (CRR).

(a) Both statements are true
(b) Both statements are false
(c) Statement I is true, Statement II is false
(d) Statement II is true, Statement I is false

135. Assertion (A): During a deflationary gap, actual aggregate demand is more than potential aggregate demand needed to maintain full employment.

Reason (R): Recession in an economy leads to a fall in demand as compared with supply.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

136. Assertion (A): Deflationary gaps reflect the presence of unemployment in an economy.

Reason (R): Full employment doesn't ensure zero unemployment during a period of time.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

137. Assertion (A): Excess demand refers to the situation when aggregate demand is in excess of aggregate supply corresponding to full employment in the economy.

Reason (R): To correct an inflationary gap, Bank rate, Repo rate, Reverse Repo rate and legal reserve ratio are increased by the Central Bank to reduce the supply of money, curtailing purchasing power and controlling the inflationary gap.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

138. Assertion (A): In a situation of excess demand at the full employment level, there is inflation in the economy.
Reason (R): At the full employment level, even if there is more demand for goods and services, the output cannot be increased.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

139. According to an RBI bulletin, the second wave of COVID-19 had a bigger impact on aggregate demand than on aggregate supply. If AD < AS, what will be the impact of this situation on an economy?

(a) Decrease in inventories, income, employment and general price level
(b) Increase in inventories, income, employment and general price level
(c) Decrease in income, output, employment and general price level
(d) No change in output but increase in employment and general price level

140. Which of the following is a reason for demotivation of induced investment?

(a) High aggregate demand
(b) Availability of labour at low wages
(c) Easy availability of finance facilities
(d) Loan on high interest rate

141. According to classical economists, there always exists ____ equilibrium in the economy.

(a) Full employment
(b) Underemployment
(c) Over full employment
(d) None of these

142. Assertion (A): Rich people have a lower propensity to consume as compared to poor people.
Reason (R): Consumption can never be zero even if National Income is zero.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

143. Assertion (A): Savings vary positively with the level of income.
Reason (R): Savings are positive even at zero level of national income.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

144. If income is ₹400 crores and consumption is ₹250 crores, what will be the APC?

(a) 0.67
(b) 0.625
(c) 0.60

(d) 0.58

145. Assertion (A): MPS varies between 0 and infinity.
Reason (R): Incremental income is either spent on consumption or saved for future use.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

146. Assertion (A): The point at which the saving curve intersects the X axis is known as the break-even point.
Reason (R): At this point, S = 0 and C = Y.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

147. When C = 200 + 0.7Y and I = 5,500, the equilibrium level of income is:
(a) 4,0500
(b) 5,500
(c) 19,000
(d) None of these

148. If the marginal propensity to consume is greater than the marginal propensity to save, the value of the multiplier will be:
(a) Greater than 2
(b) Less than 2
(c) Equal to 2
(d) Equal to 5

149. Assertion (A): Higher the value of MPC, higher is the value of the investment multiplier.
Reason (R): Investment multiplier is directly related to MPS.
(a) Both assertion and reason are true and reason is the correct explanation of assertion
(b) Both assertion and reason are true and reason is not the correct explanation of assertion
(c) Assertion is true but reason is false
(d) Assertion is false but reason is true

150. Which of the following statements about excess demand is FALSE?
(a) Excess demand occurs when AD > AS at full employment
(b) Excess demand can be corrected by increasing the cash reserve ratio
(c) Excess demand occurs due to an increase in aggregate demand
(d) Excess demand can be corrected by decreasing taxes levied by the government

151. Value of APS is negative when:
(a) Y > C
(b) Y < C
(c) Y = C
(d) S = Y

152. If autonomous consumption is 50, MPC is 0.75, and national income is ₹2,400 crores, the level of consumption will be:
(a) 1,250
(b) 1,550
(c) 1,650

(d) 1,850

153. How are both APC and APS associated with National Income?
(a) Both APC and APS fall with increase in National Income
(b) Both APC and APS rise with increase in National Income
(c) APC falls, APS rises with increase in National Income
(d) APC rises, APS falls with increase in National Income

154. Which of the following is true for the Classical Theory of Employment?
(a) State of full employment in the economy
(b) No possibility of over- or under-production in the economy
(c) Both of the above
(d) None of the above

155. 'Supply creates its own demand.' This statement was given by the economist:
(a) Keynes
(b) Pigou
(c) J. B. Say
(d) Adam Smith

156. The value of MPS can never be negative. (True/False)
(a) True
(b) False

157. ____ refers to actual or realised saving in an economy during a year.
(a) Ex-ante saving
(b) APS
(c) MPS
(d) Ex-post saving

158. When the consumption function lies below the 45-degree line, APS will be positive. (True/False)
(a) True
(b) False

159. The value of APS can never be greater than one. (True/False)
(a) True
(b) False

160. If the change in investment is ₹1,000 and MPS is 0.2, then income will change by:
(a) ₹1,250
(b) ₹2,500
(c) ₹5,000
(d) ₹10,000

161. If MPC is 0.2 and the increase in investment is ₹10,000, national income will increase by:
(a) ₹50,000
(b) ₹25,000
(c) ₹12,500
(d) ₹1,00,000

162. If an increase of ₹10,000 in investment in an economy results in an increase in income of ₹40,000, what will be the MPS?
(a) 0.4

(b) 4
(c) 0.25
(d) 0.30

163. If MPS = MPC, then the value of the multiplier is:
(a) Infinity
(b) One
(c) Equal to MPC
(d) Two

164. MPC = 0.75, and as a result of the Multiplier Effect, National Income increases by ₹300 crores. The additional investment was:
(a) ₹400 crores
(b) ₹225 crores
(c) ₹1,200 crores
(d) ₹75 crores

165. If MPS = 0.20 and investment increases by ₹400 crores, then the total increase in income will be:
(a) ₹80 crores
(b) ₹2,000 crores
(c) ₹500 crores
(d) ₹3,200 crores

166. With an increase in National Income by ₹3,000 crores, savings increase by ₹1,200 crores. The value of the multiplier is:
(a) 2 times
(b) 2.5 times
(c) 4 times
(d) 5 times

167. The equilibrium level of income is determined where planned aggregate demand is equal to:
(a) Planned consumption
(b) Planned aggregate supply
(c) Planned investments
(d) None of these

168. Equilibrium level of income can be determined at:
(a) Full employment
(b) Under full employment
(c) Over full employment
(d) All of these

169. Autonomous investment curve is always:
(a) A horizontal straight line
(b) A vertical straight line
(c) An upward rising straight line
(d) A downward sloping line

170. If MPC = 0.4 and change in income is ₹1,000 crores, what will be the change in saving?
(a) 400
(b) 600
(c) 500
(d) 250

171. Which of the following can never be zero?

(a) Consumption expenditure
(b) Government expenditure
(c) Investment expenditure
(d) Imports

172. At what level will the value of APC be equal to 1?

(a) S = 0
(b) C = Y
(c) S = Y
(d) Both S = 0 and C = Y

173. MPC of the lower-income group is ____ than the higher income group.

(a) Higher
(b) Lower
(c) The same
(d) Cannot be determined

174. Autonomous investment changes only in the:

(a) Long run
(b) Short run
(c) Very short run
(d) Medium run

175. State True or False: 'MPC can be negative.'

(a) True
(b) False

176. State True or False: 'MPC can be greater than one under abnormal conditions.'

(a) True
(b) False

177. Read the following statements carefully: Statement 1: If in an economy the level of income increases (ΔY), it will always proportionately increase the level of consumption (ΔC). Statement 2: Marginal Propensity to Consume (MPC) and Marginal Propensity to Save (MPS) are always equal to each other. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

178. Read the following statements - Assertion (A) and Reason (R). Choose the correct alternative given below: Assertion (A): Full employment situation refers to absence of involuntary unemployment. Reason (R): Under full employment situation, all the willing and able bodied people get employment at the prevailing wage rate.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

179. Total consumption expenditure by households under Keynesian Economics is a combination of ____ and ____. (Choose the correct alternative to fill in the blanks)

(a) Autonomous Consumption, Autonomous Investments
(b) Autonomous Investments, Induced Consumption

(c) Induced Investments, Autonomous Investments
(d) Autonomous Consumption, Induced Consumption

180. Suppose for a hypothetical economy: C = 100 + 0·75Y (where C = Consumption and Y = Income) I0 = 400 (I0 = Autonomous Investment) Value of Investment Multiplier (K) would be ____. (Choose the correct alternative to fill in the blank)

(a) 5
(b) 4
(c) 6
(d) 3

181. Read the following statements carefully: Statement 1: A consumption function describes the relationship between consumption and savings. Statement 2: Consumption function consists of two components - autonomous consumption and induced consumption. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

182. Suppose in an imaginary economy, autonomous consumption = ₹ 500 crore and marginal propensity to consume = 0.8. The saving function for the economy would be ____. (Choose the correct alternative to fill in the blank)

(a) 500 + 0.8Y
(b) (-) 500 + 0.8Y
(c) 500 + 0.2Y
(d) (-) 500 + 0.2Y

183. Read the following statements carefully: Statement 1: Constant rate of change of consumption (ΔC) with respect to change in income (ΔY), is the reason for the straight line consumption curve. Statement 2: Marginal rate of change between consumption and income is defined as Average Propensity to Consume (APC). In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

184. If a straight line consumption function makes a positive intercept at the Y-axis, it implies that the Marginal Propensity to Consume ____ and Average Propensity to Consume ____as the level of income rises. (Fill up the blanks with correct alternative.)

(a) remains constant, rises
(b) falls, falls
(c) rises, rises
(d) remains constant, falls

185. From the given table, identify that level of income, where Average Propensity to Save (APS) becomes Zero. (Choose the correct alternative.) Income 0 50 100 200 300 400 (₹ crore) Consumption 50 75 100 150 200 250 (₹ crore)

(a) 50
(b) 100
(c) 200
(d) 0

186. Read the following statements carefully Statement 1: Consumption and Savings are the components of National output of an economy. Statement 2: Higher level of Income often leads to lower savings. In the light of the given statements, choose the correct alternative from the following :

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

187. Arrange the following in the correct sequential order, if the government of a nation is trying to curtail the situation of inflationary gap: (i) Decrease in disposable income (ii) Increase in taxes (iii) Decrease in Aggregate Demand

(a) (i), (ii), (iii)
(b) (iii), (ii), (i)
(c) (ii), (iii), (i)
(d) (ii), (i), (iii)

188. Read the following statements carefully: Statement 1: Ex-post savings and Ex-post investments are equal at all levels of income. Statement 2: Under the effective demand principle, the equilibrium output is equal to ex-ante Aggregate Demand (AD). In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

189. In a hypothetical economy, if entire additional income is consumed, the value of investment multiplier would be ____. (Fill up the blank with correct alternative.)

(a) One (1)
(b) Zero (0)
(c) Between zero (0) and one (1)
(d) Infinity (∞)

190. Identify, what does the shaded area (Δ EFG), in the given figure indicate? I. Consumption > Income II. Saving = Zero (0) III. Consumption < Income IV. Saving < Zero (0)

(a) I and II
(b) II and III
(c) III and IV
(d) I and IV

191. Identify, which of the following options exhibits the proportional relation between consumption and disposable income.

(a) Marginal Propensity to Consume (MPC) /Average Propensity to Consume (APC)
(b) Marginal Propensity to Consume (MPC) < Average Propensity to Consume (APC)
(c) Marginal Propensity to Consume (MPC) = Average Propensity to Consume (APC)
(d) Marginal Propensity to Consume = 1

192. In an economy, break-even level of income can be determined, when ____. (i) Marginal Propensity to Consume (MPC) = Marginal Propensity to Save (MPS) (ii) Income (Y) = Consumption (C) (iii) Savings (S) = 0 (iv) Average Propensity to Consume (APC) = Average Propensity to Save (APS) (Choose the correct alternative to fill in the blank)

(a) Only (i)
(b) (i) and (ii)
(c) (ii) and (iii)
(d) (i) and (iv)

193. For a hypothetical economy, it is known that: Average Propensity to Save (APS) = 0.4 Income (Y) = ₹100 crore Autonomous Consumption (C) = ₹ 10 crore The value of investment multiplier would be ____. (Choose the correct alternative to fill in the blank)

(a) 5
(b) 2
(c) 4
(d) 10

194. Read the following statements carefully: Statement 1: Average Propensity to Consume (APC) represents the change in total income with respect to a given change in total consumption. Statement 2: When income changes, change in consumption (ΔC) can never exceed the change in income (ΔY). In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

195. Suppose, the saving curve of an economy makes an intercept at a negative value of ₹ 50 crores. In the economy, 20% of an increase in income is saved. In the light of above context, identify the value of investment multiplier (K): Options:

(a) 2
(b) 5
(c) 10
(d) ∞ (infinite)

196. Suppose, the value of Average Propensity to Consume (APC) is 0.8 and National Income is ₹ 4,000 crores, the value of saving would be ₹ ____ crores. (Choose the correct option to fill up the blank) Options:

(a) 100
(b) 200
(c) 500
(d) 800

197. In the Keynesian Economics, ____ starts from the origin and is always drawn at an angle of 45°. (Choose the correct option to fill up the blank)

(a) Consumption curve
(b) Aggregate demand curve
(c) Reference line
(d) Investment curve

198. To arrive at the value of equilibrium level of income, there must exists an equality between ex-ante ____ and ex-ante ____. (Choose the correct option to fill up the blank) (i) Aggregate Demand, Aggregate Supply (ii) Aggregate Demand, Savings (iii) Aggregate Demand, Investment (iv) Savings, Investment Options:

(a) (i) and (ii)
(b) (i) and (iv)
(c) (ii) and (iii)
(d) (iii) and (iv)

199. Read the following statements carefully: Statement 1: Marginal Propensity to Consume (MPC) refers to the consumption per unit of income. Statement 2: As the income increases, the proportionate increase in the level of consumption is always more than the increase in the level of income. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.

(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

200. In a two-sector economy, the Aggregate Demand can be determined by adding ____ and ____. (Choose the correct option to fill in the blanks)

(a) consumption, investments
(b) investments, savings
(c) consumption, savings
(d) savings, exports

201. If an upward sloping straight line consumption function makes an intercept at the Y-axis at a positive coordinate, it implies that Marginal Propensity to Consume (MPC)____ and Average Propensity to Consume (APC)____ as the income increases. (Choose the correct option to fill in the blanks)

(a) remains constant, rises
(b) rises, rises
(c) remains constant, falls
(d) falls, falls

202. Using the given information, complete the following table: (Choose the correct option) Income (Y) Savings Consumption Average (in ₹ crore) (in ₹ crore) (in ₹ crore) Propensity to Consume (APC) 0 ...(i)... 30 - 100 0 ... (ii)... 200 30 170 0.85 300 60 240 0.8 Options:

(a) --30, 120
(b) 30, 120
(c) 0, 70
(d) --30, 100

203. Suppose, the consumption function is given as: C = 205 + 0.9 Y (where C = Total Consumption and Y = National Income) The value of Investment Multiplier (K) would be ____. (Choose the correct option to fill in the blank)

(a) 0.09
(b) 10.0
(c) 0.9
(d) 9.0

204. Marginal Propensity to Consume (MPC) exhibits the slope of ____ function. (Choose the correct option to fill in the blank)

(a) Saving
(b) Consumption
(c) Production
(d) Cost

205. Aggregate expenditure in the economy during an accounting year is also known as ____. (Choose the correct option to fill in the blank)

(a) Autonomous investment
(b) Aggregate supply
(c) Aggregate demand
(d) Induced investment

206. Suppose in an economy there exist autonomous investments, which are independent of the level of income. Graphically, the autonomous investments curve would be ____. (Choose the correct alternative to fill in the blank)

(a) a straight line parallel to y-axis
(b) a straight line parallel to x-axis
(c) an upward sloping straight line at x-intercept, in the positive quadrant

(d) a downward sloping straight line at y-intercept

207. In the Keynesian economic analysis, determination of equilibrium income in the short-run is usually expressed as ____. (Choose the correct alternative to fill in the blank) (i) Ex-ante Aggregate Demand = Ex-ante Aggregate Supply (ii) Consumption (C) + Investment (I) = Savings (iii) Consumption (C) + Investment (I) = National Income (iv) Ex-ante Savings = Ex-ante Investments

(a) (i) and (ii)
(b) (i) and (iv)
(c) (i), (ii) and (iv)
(d) (i), (iii) and (iv)

208. Read the following statements carefully: Statement 1: The value of Average Propensity to Save (APS) can be greater than one. Statement 2: Break-even point is the level at which level of consumption is equal to the income. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

209. From the following statements, identify the incorrect statement in case of underemployment equilibrium. (Choose the correct alternative)

(a) Resources are fully and efficiently utilised.
(b) An existence of excessive production capacity in the economy.
(c) Aggregate supply is equal to Aggregate demand below full employment level.
(d) Resources are not fully and efficiently utilised.

210. In an economy, when ____ is insufficient to achieve the level of output corresponding to the full employment, the difference is termed a deflationary gap. (Choose the correct option to fill in the blank) Options:

(a) ex-ante Aggregate Demand
(b) ex-post Aggregate Demand
(c) ex-ante Aggregate Supply
(d) ex-post Aggregate Supply

211. Identify, which of the following is true at the Break Even level of Income. (Choose the correct option) Options:

(a) Slope of Consumption Curve = Slope of Saving Curve
(b) Average Propensity to Consume (APC) = Average Propensity to Save (APS)
(c) Slope of Saving Curve = Unity (1)
(d) Average Propensity to Consume (APC) = Unity (1)

212. Choose the correct consumption function from the options given below with reference to the illustrated given diagram. Options:

(a) C = 100 + 0.7Y
(b) C = 100 + 0.8Y
(c) C = 100 -- 0.7Y
(d) C = 100 -- 0.8Y

213. The Aggregate Demand (AD) curve lies parallel to consumption curve, indicating that both have ____. (Choose the correct option to fill in the blank)

(a) same components
(b) different slope
(c) same slope
(d) inverse relationship

214. Select the correct formula to calculate the value of Marginal Propensity to Save (MPS): Change in Savings (ΔS) I. Change in Consumption (ΔC) Change in Savings (ΔS) II. Change in Income (ΔY) III. 1 -- Marginal Propensity to Consume (MPC) Change in Income (ΔY) IV. Change in Savings (ΔS) Options:

(a) I, II, III and IV
(b) II and III
(c) Only III
(d) Only II

215. Suppose in a hypothetical economy, Y = 50 + 0·8Y + 100, where Y = National Income. The value of Investment Multiplier (K) would be ____. (Choose the correct option to fill in the blank) Options:

(a) 5
(b) 0·2
(c) 50
(d) 0·8

216. Read the following statements carefully: Statement I: At the break-even level of income, the value of slope of the consumption curve is zero. Statement II: Marginal Propensity to Consume (MPC) refers to the change in consumption per unit change in income. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

217. Assuming for an imaginary economy, consumption at zero level of income and break- even level of income is ₹ 50 and ₹ 200 respectively. Choose the correct value of Marginal Propensity to Consume (MPC), from the following:

(a) 0.8
(b) 0.9
(c) 0.75
(d) 0.85

218. Study the given image carefully: The line LK represents ____ curve. (Choose the correct option to fill in the blank) Options:

(a) Consumption
(b) Aggregate Supply
(c) Aggregate Demand
(d) Investment

219. With reference to the given diagram, OL indicates ____ (Choose the correct option to fill in the blank) (i) Autonomous Consumption (ii) Autonomous Investment (iii) Induced Consumption (iv) Induced Investment Options:

(a) Only (i)
(b) Only (ii)
(c) Sum of (i) and (ii)
(d) Sum of (i) and (iii)

220. An economy may operate at a level below full employment due to a deficiency in Aggregate Demand (AD) leading to a/an ____ employment equilibrium. (i) Full (ii) Over (iii) Under (Choose the correct option to fill in the blank) Options:

(a) Only (i)
(b) Only (ii)
(c) Only (iii)

(d) (ii) and (iii)

221. At the break-even level of income, the slope of the consumption function will be equal to ____. (Choose the correct option to fill in the blank)

(a) Average Propensity to Save (APS)
(b) Average Propensity to Consume (APC)
(c) Marginal Propensity to Save (MPS)
(d) Marginal Propensity to Consume (MPC)

222. Suppose for an economy, autonomous consumption stands as ₹ 100 crore and total consumption is ₹ 130 crores. The value of induced consumption would be ₹ ____ crore. (Choose the correct option to fill up the blank)

(a) 30
(b) 80
(c) 100
(d) 130

223. Under the Keynesian theory, 'Reference Line' is a straight line passing through the origin drawn at an angle of ____. (Choose the correct option to fill in the blank)

(a) 25°
(b) 40°
(c) 45°
(d) 70°

224. The 45° line in Keynesian economics indicates ____. (Choose the correct option to fill in the blank)

(a) Income > Consumption
(b) Savings > Investments
(c) Consumption > Income
(d) Income = Consumption

Answer Key

1. (b) 2. (a) 3. (a) 4. (c) 5. (d)
6. (a) 7. (a) 8. (c) 9. (b) 10. (a)
11. (a) 12. (d) 13. (c) 14. (b) 15. (a)
16. (a) 17. (c) 18. (a) 19. (a) 20. (a)
21. (c) 22. (a) 23. (b) 24. (b) 25. (c)
26. (b) 27. (b) 28. (b) 29. (c) 30. (a)
31. (d) 32. (d) 33. (a) 34. (d) 35. (b)
36. (a) 37. (d) 38. (c) 39. (b) 40. (d)
41. (a) 42. (a) 43. (b) 44. (b) 45. (c)
46. (a) 47. (c) 48. (c) 49. (c) 50. (c)
51. (c) 52. (c) 53. (c) 54. (b) 55. (b)
56. (a) 57. (b) 58. (a) 59. (b) 60. (a)
61. (a) 62. (c) 63. (a) 64. (a) 65. (d)
66. (d) 67. (a) 68. (a) 69. (d) 70. (c)
71. (c) 72. (b) 73. (c) 74. (a) 75. (c)
76. (c) 77. (b) 78. (a) 79. (a) 80. (d)
81. (a) 82. (b) 83. (d) 84. (b) 85. (c)
86. (d) 87. (d) 88. (b) 89. (a) 90. (d)
91. (c) 92. (c) 93. (d) 94. (c) 95. (b)
96. (a) 97. (d) 98. (d) 99. (b) 100. (c)
101. (a) 102. (b) 103. (c) 104. (c) 105. (c)
106. (c) 107. (a) 108. (a) 109. (a) 110. (d)
111. (b) 112. (a) 113. (c) 114. (d) 115. (d)
116. (a) 117. (a) 118. (d) 119. (c) 120. (c)
121. (c) 122. (c) 123. (a) 124. (d) 125. (c)
126. (c) 127. (a) 128. (c) 129. (a) 130. (a)
131. (a) 132. (d) 133. (d) 134. (c) 135. (d)
136. (b) 137. (b) 138. (a) 139. (c) 140. (d)
141. (a) 142. (b) 143. (c) 144. (b) 145. (d)
146. (a) 147. (c) 148. (a) 149. (c) 150. (d)
151. (b) 152. (d) 153. (c) 154. (c) 155. (c)
156. (a) 157. (d) 158. (a) 159. (a) 160. (c)
161. (c) 162. (c) 163. (d) 164. (d) 165. (b)
166. (b) 167. (b) 168. (d) 169. (a) 170. (b)
171. (a) 172. (d) 173. (a) 174. (a) 175. (b)
176. (a) 177. (d) 178. (a) 179. (d) 180. (b)
181. (b) 182. (d) 183. (a) 184. (d) 185. (b)
186. (a) 187. (d) 188. (c) 189. (d) 190. (b)
191. (c) 192. (c) 193. (b) 194. (b) 195. (b)
196. (d) 197. (c) 198. (b) 199. (d) 200. (a)
201. (c) 202. (d) 203. (b) 204. (b) 205. (c)
206. (b) 207. (d) 208. (b) 209. (a) 210. (a)
211. (d) 212. (a) 213. (c) 214. (b) 215. (a)

216. (b) 217. (c) 218. (c) 219. (c) 220. (c)
221. (d) 222. (a) 223. (c) 224. (d)

Unit 4: Government Budget and the Economy

131 Questions

Questions

1. In the Annual Budget, disinvestment proceeds are classified as ____ receipts, leading to ____ of the Government.
(a) Capital, decrease in assets
(b) Revenue, increase in assets
(c) Capital, increase in liabilities
(d) Revenue, decrease in liabilities

2. To tackle rising prices, the government may adopt a surplus budget to achieve the objective of:
i) Reallocation of resources ii) Price stability iii) Redistribution of income
(a) (i) only
(b) (iii) only
(c) (ii) only
(d) (i) and (iii)

3. Assertion (A): Construction of dams, schools, plants and repayment of loans is essential in development.
Reason (R): Capital expenditure creates assets and reduces liabilities of the government.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

4. Assertion (A): High fiscal deficit throws a country into a debt trap and enhances foreign dependence.
Reason (R): Fiscal discipline establishes a country's credit worthiness.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

5. 'Free distribution of LPG connection to poor people' reflects which objective of the government budget?
(a) Promote economic growth
(b) Management of public enterprises
(c) Create equitable distribution of income
(d) Create fluctuation in government revenue

6. Statement 1: Fiscal deficit is always greater than primary deficit.
Statement 2: Fiscal deficit indicates borrowing requirements of the government.
(a) Both true
(b) Both false
(c) Statement 1 false, 2 true
(d) Statement 2 false, 1 true

7. Fiscal deficit in a government budget indicates:
(a) Excess of capital expenditure over capital receipts (excl. borrowings)
(b) Excess of revenue expenditure over revenue receipts
(c) Borrowing requirement of state governments only
(d) Excess of total expenditure over revenue receipts and non-debt capital receipts

8. Govt. spending on an Olympic medalist over 5 years is categorized as:

(a) Revenue nature income
(b) Capital nature income
(c) Capital nature expenditure
(d) Revenue nature expenditure

9. 'Pradhan Mantri Garib Kalyan Anna Yojana' providing free food grain during Covid-19 satisfies which objective?

(a) Economic stability
(b) Reallocation of resources
(c) Economic growth
(d) Reducing inequalities in income and wealth

10. Assertion (A): Borrowings are capital receipts but interest payment on borrowings is revenue expenditure.
Reason (R): Borrowings create liability but interest payment does not reduce liability.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

11. Assertion (A): Through changes in expenditure and taxes, the government brings economic stability.
Reason (R): During deflation, tax concessions/increased expenditure raise disposable income; during inflation, the reverse.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

12. Assertion (A): The government cannot have a fiscal deficit without a revenue deficit.
Reason (R): Fiscal deficit can exist without revenue deficit, if the capital budget is in deficit.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

13. Capital expenditure is expenditure by which:

(a) Assets are increased
(b) Liabilities are decreased
(c) Both (a) and (b)
(d) Assets and liabilities do not change

14. If primary deficit is 3,500 and interest payment is 500, fiscal deficit is:

(a) 2,900
(b) 4,000
(c) 4,100
(d) 4,200

15. Which condition satisfies the concept of a revenue receipt?

(a) Does not create liability
(b) Does not reduce asset
(c) Creates liability
(d) Both (a) and (b)

16. Disinvestment is which type of receipt for the government?

(a) Capital Receipt
(b) Revenue Receipt
(c) Both (a) and (b)
(d) None of these

17. Sources to meet fiscal deficit are:
(a) Borrowings from public
(b) Borrowings from external sources
(c) Deficit financing
(d) All of these

18. ____ receipts are non-recurring in nature.
(a) Revenue
(b) Capital
(c) Both (a) and (b)
(d) None of these

19. Statement 1: Fiscal deficit includes borrowings to create loans.
Statement 2: Fiscal deficit depicts borrowings required to meet current year budget expenditure.
(a) Both correct
(b) Both wrong
(c) Statement 1 correct, 2 wrong
(d) Statement 1 wrong, 2 correct

20. Under Ujjwala Yojana, free LPG connections to BPL families fulfils which objective?
(a) Allocation of resources
(b) Reducing distribution of income inequalities
(c) Economic growth
(d) Financial stability

21. Which are objectives of the government budget?
(a) Distribution of income and wealth
(b) Economic stability
(c) GDP growth
(d) All of these

22. Which is an example of a public good?
(a) Medicines and injections
(b) Books and stationery
(c) Houses and furniture
(d) Law and order

23. ____ is a revenue receipt of the government.
(a) Funds raised via National Saving Certificates
(b) Sale of 40% shares of a PSU to a private enterprise
(c) Profits of LIC, a public enterprise
(d) Amount borrowed from Japan for a Bullet Train

24. Which statement is true?
(a) Fiscal deficit is the difference between planned revenue expenditure and planned revenue receipts
(b) Fiscal deficit is the difference between total planned expenditure and total planned receipts
(c) Primary deficit is the difference between total planned receipts and interest payments
(d) Fiscal deficit is the sum of primary deficit and interest payment

25. Repayment of loan is an example of:

(a) Capital Expenditure
(b) Non-plan Expenditure
(c) Revenue Expenditure
(d) Plan Expenditure

26. Statement 1: Government Budget is a detailed economic statement presented by the Finance Minister.
Statement 2: It consists of the government's financial programmes and policies for the next year.

(a) Both true
(b) Both false
(c) Statement 1 true, 2 false
(d) Statement 2 true, 1 false

27. Assertion (A): If primary deficit is zero, Fiscal Deficit = Interest Payments.
Reason (R): Primary deficit is the difference between fiscal deficit and interest payments on previous borrowings.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

28. Government expenditure on the mid-day meal scheme is a ____ expenditure.

(a) Capital
(b) Revenue
(c) Normal
(d) Any of these

29. The fee of a government college is part of revenue receipts because:

(a) It creates liabilities of the government
(b) It increases assets of the government
(c) It neither creates liability nor reduces assets
(d) It either creates liability or reduces assets

30. Which is an implication of a revenue deficit?
i) High revenue deficit shows fiscal discipline ii) Shows wasteful admin expenditure iii) Implies government dis-saving

(a) i and ii
(b) i and iii
(c) ii and iii
(d) i, ii and iii

31. Assertion (A): Fiscal deficit gives a better picture of government expenditure than revenue deficit.
Reason (R): Fiscal deficit reflects the borrowing requirement of the government.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A false, R false
(d) A false, R true

32. A large fiscal deficit implies:

(a) Very small savings
(b) Investment
(c) Borrowing requirement
(d) No borrowing

33. Read the statements: Statement I: Public goods are non-excludable.
Statement II: Consumption of public goods is rivalrous.

(a) Both true
(b) Both false
(c) Statement I true, II false
(d) Statement II true, I false

34. Which is an example of a non-debt capital receipt?

(a) Financial aid from an MNC for flood victims
(b) Borrowings from IMF
(c) Recovery of loans from State Governments
(d) Dividend paid by SBI to the Government

35. Which is NOT an example of non-tax revenue?
i. Fees ii. Income Tax iii. Borrowings iv. Grants

(a) II only
(b) II and III only
(c) II, III and IV only
(d) I and IV only

36. If government borrowings increase, which statement will be INCORRECT for the current fiscal year?

(a) Primary deficit will increase
(b) Fiscal deficit will increase
(c) Revenue deficit will decrease
(d) Government burden for future payment will increase

37. Which is an example of an Indirect Tax?

(a) Income Tax
(b) Corporation Tax
(c) Excise Duties
(d) Gift Tax

38. If government borrowing is ₹35,000 crore and interest payments are ₹5,000 crore, the fiscal deficit is:

(a) ₹35,000 crore
(b) ₹30,000 crore
(c) ₹40,000 crore
(d) ₹7,000 crore

39. If the government increases expenditure without increasing taxes, the likely outcome is:

(a) Increase in fiscal deficit only
(b) Decrease in revenue deficit
(c) Increase in fiscal deficit and public debt
(d) Increase in tax receipts

40. Which change will reduce both fiscal and revenue deficits?

(a) Introduction of GST
(b) Reduction in government subsidies
(c) Increase in capital expenditure
(d) Reduction in interest payments on loans

41. Interest income is a part of:

(a) Non-tax Revenue
(b) Revenue Receipts

(c) Both (a) and (b)
(d) None of the above

42. A government budget shows a primary deficit of ₹4,400 crore and interest payment liability of ₹400 crore. Fiscal deficit is:
(a) ₹4,000 crore
(b) ₹4,400 crore
(c) ₹4,800 crore
(d) ₹5,000 crore

43. Identify the revenue expenditure from the following:
(a) Construction of metro
(b) Repayment of loan
(c) Purchase of machinery
(d) Expenditure on defence services

44. Escheat (property with no legal heir passing to the state) is an example of:
(a) Capital receipts
(b) Revenue receipts
(c) Capital expenditure
(d) Revenue expenditure

45. Grants to states by the union government are:
(a) Revenue receipts
(b) Revenue expenditure
(c) Capital receipts
(d) Capital expenditure

46. The difference between fiscal deficit and interest payment is called:
(a) Revenue deficit
(b) Primary deficit
(c) Budget deficit
(d) Capital deficit

47. 'Policies of surplus budget during inflation' is part of which objective of the government budget?
(a) Economic growth
(b) Economic stability
(c) Reducing regional disparities
(d) Reallocation of resources

48. Assertion (A): Recovery of loans is an example of capital receipts.
Reason (R): Capital receipts are the source of income of the government.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

49. Assertion (A): Old age pension is an example of capital expenditure.
Reason (R): Capital expenditure either creates assets or reduces liability of the government.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

50. Assertion (A): A low primary deficit forces the government to borrow.
Reason (R): Primary deficit is the difference between fiscal deficit and interest payments.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

51. Government spends ₹2.5 crore over 5 years on an Olympic medallist. This is:
(a) Revenue nature income
(b) Capital nature income
(c) Capital nature expenditure
(d) Revenue nature expenditure

52. Zero primary deficit means:
(a) Fiscal deficit = Primary deficit
(b) Fiscal deficit = Interest payment
(c) Fiscal deficit > Interest payment
(d) Fiscal deficit < Interest payment

53. Receipts which do not affect the assets or liability status of the government are:
(a) Capital Receipts
(b) Revenue Receipts
(c) Budgetary Receipts
(d) None of these

54. Which of the following is an example of a non-debt creating capital receipt?
(a) Borrowings
(b) Extension of Borrowings
(c) Recovery of loans
(d) None of these

55. Statement 1: Tax is a legally compulsory payment.
Statement 2: Direct taxes are capital receipts of the government.
(a) Both statements true
(b) Both statements false
(c) Statement 1 true, Statement 2 false
(d) Statement 2 true, Statement 1 false

56. Fiscal deficit equals:
(a) Interest payments
(b) Borrowings
(c) Interest payments less borrowings
(d) Borrowings less interest payments

57. A tax whose impact and incidence lie on the same person (legally imposed) is known as:
(a) Indirect tax
(b) Direct tax
(c) Value Added Tax
(d) None of these

58. A progressive tax is one that is:
(a) Charged at a decreasing rate as income increases
(b) Charged at an increasing rate as income increases

(c) A fixed percentage of income
(d) None of these

59. Assertion (A): Expenditure on Ujjwala Yojana is a revenue expenditure.
Reason (R): It does not cause an increase in assets or a reduction in liability.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

60. Choose the correct alternatives to fill blanks: A is the overarching term, B is receipts that neither create liability nor reduce assets, C is receipts that create liability or reduce assets.
(a) A-Revenue receipts, B-Capital receipts, C-Government budget
(b) A-Capital receipts, B-Government budget, C-Revenue receipts
(c) A-Capital receipts, B-Revenue receipts, C-Government budget
(d) A-Government budget, B-Revenue receipts, C-Capital receipts

61. Gross Domestic Capital Formation is equal to:
(a) Gross Investment
(b) Gross Domestic Fixed Capital Formation + Change in Stock
(c) Net Domestic Fixed Capital Formation + Inventory Investment + Depreciation
(d) All of the above

62. As per the Union Budget 2023-24 data, total receipts of the government (other than borrowings) and total expenditure are estimated at ₹27.2 lakh crore and ₹45 lakh crore respectively. The value of the ____ deficit would be ₹17.8 lakh crore.
(a) Revenue
(b) Fiscal
(c) Budgetary
(d) Primary

63. Dividends received from a public sector undertaking are a part of the government's:
(a) Non-tax revenue receipts
(b) Capital receipts
(c) Tax receipts
(d) Revenue receipts

64. To calculate Gross Domestic Product at Market Price (GDPMP) from Gross Value Added at Factor Cost (GVAFC), we need to:
(a) Add Product Taxes and subtract Product Subsidies
(b) Add Production Taxes and subtract Product Taxes
(c) Subtract Product Taxes and add Production Subsidies
(d) Add Net Production Taxes and subtract Net Product Subsidies

65. The government can achieve its budget objective of redistribution of income by:
(a) Managing the general price level in the economy to the desired level
(b) Increasing the GDP of the economy
(c) Bringing the production of goods and services under its direct control
(d) Rationalisation of taxes in a pro-poor direction

66. The expenditure method focuses on measurement of national income at the:
(a) Phase of production of goods and services
(b) Phase of income distribution

(c) Phase of income disposition
(d) All of the above

67. Statement 1: Fiscal deficit is the sum of primary deficit and interest payment.
Statement 2: Fiscal deficit indicates the borrowing requirement of the government.
(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

68. Statement 1: Foreign grants-in-aid receipts do not lead to any claim on the government.
Statement 2: Disposal of equity by Public Sector Undertakings in the market may lead to a decrease in the assets of the government.
(a) Statement 1 is true and Statement 2 is false
(b) Statement 1 is false and Statement 2 is true
(c) Both Statements 1 and 2 are true
(d) Both Statements 1 and 2 are false

69. Which one of these is a revenue expenditure?
(a) Purchase of shares
(b) Loans advanced
(c) Subsidies
(d) Expenditure on acquisition of land

70. The focus of the government budget is:
(a) To maximize fiscal deficit
(b) To minimize fiscal deficit
(c) To maximize expenditure
(d) To maximize revenue

71. According to a report by the Reserve Bank of India, the rate of inflation measured by the Consumer Price Index (CPI) on a year-on-year basis fell to 5% from 8% in the previous year. Which of the following statements represents the situation?
(a) CPI has fallen
(b) CPI has risen at a rate lower than the preceding year
(c) CPI is constant
(d) None of the above

72. Statement 1: Subsidies do not add any burden on the financial health of a nation.
Statement 2: Complete removal of subsidies may violate the aim of equitable distribution of income.
Choose the correct alternative.
(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

73. In the COVID-19 situation, India, like many countries, borrowed funds from international financial institutions to meet medical purchase requirements. This will lead to:
i) Increase in fiscal deficit
ii) Reduce growth
iii) Increase in primary deficit
iv) All of these

(a) Only i
(b) i and iii
(c) i, ii and iii
(d) All of these

74. Assertion (A): Government imposes heavy taxes on alcohol and gives a subsidy on LPG gas.
Reason (R): The government undertakes such a measure to ensure economic stability in the country.
(a) Both A and R are correct and R is the correct explanation of A
(b) Both A and R are correct, but R is not the correct explanation of A
(c) A is correct, but R is incorrect
(d) A is incorrect and R is correct

75. Why does the RBI fix an inflation target?
(a) To make the growth process fast
(b) To coordinate with the government
(c) To manage the exchange rate
(d) To stabilize the economy

76. The interest payments as per the government budget during a year are ₹10,000 crore, which is 40% of the primary deficit. The fiscal deficit will be:
(a) ₹25,000 crore
(b) ₹35,000 crore
(c) ₹20,000 crore
(d) ₹14,000 crore

77. Identify the tax whose burden can be shifted:
(a) Income tax
(b) Corporate tax
(c) Goods and Services Tax
(d) None of these

78. Increase in the value of domestic currency by the government (under a fixed exchange rate system) is called:
(a) Depreciation
(b) Devaluation
(c) Revaluation
(d) Appreciation

79. If the balance of trade is showing a deficit of ₹15,000 and the value of exports is ₹25,000, the value of imports will be:
(a) ₹10,000
(b) ₹35,000
(c) ₹40,000
(d) ₹15,000

80. Decrease in Cash Reserve Ratio will lead to:
(a) Fall in aggregate demand
(b) No change in aggregate demand
(c) Rise in aggregate demand
(d) Fall in general price level

81. Statement 1: Excess of import of goods over export of goods is known as trade deficit.
Statement 2: Excess of export of goods over import of goods is known as trade surplus.
Choose the correct alternative.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

82. In the context of government budget, which of the following statements is correct?
(a) Budget is a statement of expected annual receipts and expenditures of the government
(b) It is the detail of actual receipts and expenditures of the government in a financial year
(c) It offers a detailed description of achievements of the government during the five year plans
(d) It indicates BOP status of the domestic economy

83. Which of the following is a non-tax receipt?
(a) Gift tax
(b) Sales tax
(c) Donations
(d) Excise duty

84. Assertion (A): GST is an indirect tax.
Reason (R): All indirect taxes are imposed on the production and sale of goods and services.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

85. Assertion (A): Tax payments to the government do not provide any direct benefit to the tax payer.
Reason (R): Government spends tax receipts for the common benefit of society.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

86. Statement 1: Capital Expenditure is estimated expenditure of the government in a fiscal year which does not create assets or cause a reduction in liabilities.
Statement 2: Revenue expenditure refers to the estimated expenditure of the government in a fiscal year which creates assets or causes a reduction in liabilities.
(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and statement 2 is false
(d) Statement 2 is true and statement 1 is false

87. From the following items, choose the correct pair: A. Direct Taxes; B. Indirect Tax; C. Revenue Receipts; D. Capital Expenditure — matched with i. Goods and Services tax; ii. Income Tax; iii. Disinvestment; iv. Construction of a school.
(a) A-i
(b) B-ii
(c) C-iii
(d) D-iv

88. The expenditure on education by the government is expressed as a percentage of:
(a) Goods & Service Tax
(b) Disinvestment
(c) Gross Domestic Product (GDP)
(d) Fiscal Deficit

89. The expenditure on preventive medicine like awareness campaigns against dengue and malaria is an example of:

(a) Revenue nature income
(b) Capital nature income
(c) Revenue nature expenditure
(d) Capital nature expenditure

90. Identify which of the following is NOT an example of tax revenue for the government:

(a) Wealth Tax
(b) Special Assessments
(c) Income Tax
(d) Corporate Tax

91. In a government budget, the Primary deficit is ₹12,000 crore and Interest payments are ₹7,000 crore. How much is the Fiscal Deficit?

(a) ₹5,000 crore
(b) ₹7,000 crore
(c) ₹12,000 crore
(d) ₹19,000 crore

92. Statement 1: The government budget is a statement of actual annual receipts and expenditure of the Government.
Statement 2: The two main components of the government budget are the revenue budget and the capital budget.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and statement 2 is false
(d) Statement 1 is false and statement 2 is true

93. Statement 1: Government budget is an accounting statement showing actual receipts and expenditure of the government during a fiscal year.
Statement 2: The two components of the government budget are Revenue budget and Capital budget.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true, but Statement 2 is false
(d) Statement 2 is true, but Statement 1 is false

94. On the basis of the following data, calculate the value of revenue deficit: Tax Receipts = Rs. 2,542 crores, Revenue Expenditure = Rs. 1,927 crores, Direct Tax = Rs. 670 crores, Non-Tax Receipts = Rs. 303 crores.

(a) Rs. 1,845 crores
(b) Rs. 82 crores
(c) Rs. 100 crores
(d) Rs. 588 crores

95. Assertion (A): Capital receipts of the government lead to a decrease in assets or an increase in liabilities.
Reason (R): Tax and non-tax receipts are the two sources of capital receipts.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

96. Assertion (A): Fiscal deficit is greater than budgetary deficit.
Reason (R): Fiscal deficit is the borrowing from the RBI plus other liabilities of the Government to meet its expenditure.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A

(c) A is true but R is false
(d) A is false but R is true

97. Statement 1: Revenue deficit refers to the excess of revenue expenditure over revenue receipts.
Statement 2: Fiscal deficit refers to the excess of total expenditure over total receipts, including borrowings.
(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

98. Statement 1: Surplus Budget is a budget in which estimated receipts exceed estimated expenditure.
Statement 2: Deficit Budget is a budget in which estimated receipts fall short of estimated expenditure.
(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

99. Statement 1: Capital Expenditure is the estimated expenditure of the government in a fiscal year which does not create assets or cause a reduction in liabilities.
Statement 2: Revenue expenditure refers to the estimated expenditure of the government in a fiscal year which creates assets or causes a reduction in liabilities.
(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

100. Which of the following is NOT a capital expenditure?
(a) Loans advanced by World Bank
(b) Construction of school buildings
(c) Repayment of loans
(d) Tax receipts

101. Which of the following is NOT true about fiscal deficit?
(a) Represents the borrowing of the government
(b) Is the difference between total expenditure and total receipts of the government
(c) Is the difference between total expenditure and total receipts other than borrowing
(d) Increases the future liability of the government

102. Disinvestment of equity in a public sector undertaking is a ____ policy instrument.
(a) Monetary
(b) Fiscal
(c) Both monetary and fiscal
(d) Neither monetary nor fiscal

103. Which one of the following statements is true?
(a) Loans from IMF is a revenue receipt
(b) Higher revenue deficit necessarily leads to higher fiscal deficit
(c) Borrowings by a government represent a situation of fiscal deficit
(d) Revenue deficit is the excess of capital receipts over the revenue receipts

104. The government budget of a hypothetical economy presents the following information (all figures in rupee crore): Capital receipts = 30,000; Capital expenditure = 35,000; Revenue receipts = 20,000; Interest payments = 10,000; Borrowings = 20,000. Which value represents the budgetary deficit?

(a) 12,000
(b) 10,000
(c) 20,000
(d) None of the above

105. Government budget shows estimated expenditure of the government in terms of:
(a) Consumption expenditure
(b) Investment expenditure
(c) Transfer payments
(d) All of these

106. Revenue budget includes:
(a) Revenue receipts of the government
(b) Revenue expenditure of the government
(c) Capital receipts of the government
(d) Both revenue receipts and revenue expenditure

107. The focus of a government budget on encouraging or discouraging production of certain goods is offered by the government:
(a) To increase the production of certain goods
(b) To discourage the production of certain goods
(c) To increase the consumption of certain goods
(d) Both increasing production of some goods and discouraging others

108. Budget receipts refer to:
(a) Estimated capital receipts of the government from all sources during a fiscal year
(b) Estimated money receipts of the government from all sources during a fiscal year
(c) Actual capital receipts of the government from all sources during a fiscal year
(d) Actual money receipts of the government from all sources during a fiscal year

109. Purchase of shares by the government is related to:
(a) Revenue receipts
(b) Revenue expenditure
(c) Capital receipts
(d) Capital expenditure

110. Which of the following is a Plan Expenditure?
(a) Expenditure on salaries
(b) Expenditure on subsidies
(c) Expenditure on relief to earthquake victims
(d) Expenditure on the construction of a hospital

111. Revenue deficit can be managed through:
(a) Borrowing from RBI
(b) Disinvestment
(c) Borrowing from the general public
(d) All of the above

112. Fiscal deficit is an estimate of:
(a) Instability of the economy
(b) Borrowing by the government
(c) Growth of the economy
(d) All of the above

113. Gross fiscal deficit is:

(a) Borrowing from RBI + borrowing from abroad + net borrowing at home
(b) Borrowing from the government + borrowing from RBI + borrowing from abroad
(c) Borrowing from the government + borrowing from abroad + net borrowing at home
(d) Borrowing from the government + borrowing from abroad

114. State True or False: 'Revenue budget impacts the assets-liability status of the government.'

(a) True
(b) False

115. State True or False: 'A regressive tax system causes a greater real burden on the poor than the rich.'

(a) True
(b) False

116. State True or False: 'Non-planned expenditure is not related to the budgetary expenditure of the government.'

(a) True
(b) False

117. State True or False: 'A specific tax is not a value added tax.'

(a) True
(b) False

118. State True or False: 'In a balanced budget, government receipts are greater than government expenditure.'

(a) True
(b) False

119. Study the following figure carefully and choose the correct alternative to fill in the blank:

(a) Investments
(b) Trade of Services
(c) External Borrowings
(d) External Assistance

120. Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: Assertion (A): Public goods are those goods that are collectively consumed by the public. Reason (R): Public goods are excludable and rivalrous in nature. Options:

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

121. From the set of terms given in Column-I and Column-II, choose the correct pair: Column-I Column-II (a) Non-tax Revenue (i) Goods and Services Tax (b) Indirect Tax (ii) Free-rider (c) Capital expenditure (iii) Borrowings (d) Private goods (iv) Rivalrous in nature Options:

(a) (a) - (i)
(b) (b) - (ii)
(c) (c) - (iii)
(d) (d) - (iv)

122. Identify, which of the following is not to be considered while estimating Revenue Deficit of a country. (Choose the correct option)

(a) Wages and salaries paid by the government
(b) Interest payments made by the Central Government
(c) Direct Tax Collection

(d) Expenditure incurred on construction of flyover

123. The budget under, which the government may spend an amount equal to the revenue it collects is referred as ____ Budget. (Choose the correct option to fill up the blank)

(a) Surplus
(b) Deficit
(c) Balanced
(d) Deflationary

124. Read the following statements carefully: Statement 1: Public goods are those goods for which the payments are made by all the entities in the country. Statement 2: Private goods are those goods which are provided by the government of a country at subsidised rates. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

125. The main objective of measuring the primary deficit is to highlight present ____. (Choose the correct option to fill in the blank)

(a) fiscal imbalances
(b) fiscal balances
(c) recovery of loans
(d) cash grant-in-aid

126. Identify, which of the following does not represent a public good. (Choose the correct option)

(a) Free vaccines provided by the government
(b) Defence services provided by the military
(c) Purchase of railway ticket by an individual
(d) Street light installed by a city municipality

127. According to the data presented in the Union Budget 2023-24, the total receipts of the government (other than borrowings), and the total expenditure are estimated as ₹ 20 lakh crore and ₹ 45 lakh crore respectively. Therefore, the value of ____deficit would be ₹ 25 lakh crore. (Choose the correct option to fill in the blank)

(a) revenue
(b) fiscal
(c) trade
(d) primary

128. Read the following statements carefully : Statement 1: Foreign aids are the capital receipts for the government. Statement 2: Disinvestments may lead to a decrease in the assets of the government. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

129. The budget in which government's total planned spending is equal to total planned revenue is referred to as ____ budget. (Choose the correct alternative to fill in the blank)

(a) Surplus
(b) Deficit
(c) Micro
(d) Balanced

130. "Consumption of a good by a person does not reduce the amount available for consumption by others. Consumers consuming such goods are known as free-riders." Identify the type of goods indicated in the above text.
Options:

(a) Public goods
(b) Private goods
(c) Joint venture goods
(d) Self-consumption goods

131. Expenditure incurred by the Government of India on the construction of 8-lanes Delhi- Mumbai Expressway can be classified as ____ expenditure of the government, as it may lead to ____ in the value of assets. (Choose the correct alternative to fill in the blanks)

(a) revenue, increase
(b) revenue, reduction
(c) capital, increase
(d) capital, reduction

Answer Key

1. (a) 2. (c) 3. (a) 4. (a) 5. (c)
6. (a) 7. (d) 8. (d) 9. (d) 10. (a)
11. (a) 12. (d) 13. (c) 14. (b) 15. (d)
16. (a) 17. (d) 18. (b) 19. (a) 20. (b)
21. (d) 22. (d) 23. (c) 24. (d) 25. (a)
26. (a) 27. (a) 28. (b) 29. (c) 30. (c)
31. (a) 32. (c) 33. (c) 34. (c) 35. (b)
36. (c) 37. (c) 38. (a) 39. (c) 40. (b)
41. (c) 42. (c) 43. (d) 44. (b) 45. (b)
46. (b) 47. (b) 48. (c) 49. (d) 50. (d)
51. (d) 52. (b) 53. (b) 54. (c) 55. (c)
56. (b) 57. (b) 58. (b) 59. (a) 60. (d)
61. (d) 62. (b) 63. (a) 64. (a) 65. (d)
66. (c) 67. (c) 68. (c) 69. (c) 70. (b)
71. (b) 72. (d) 73. (d) 74. (b) 75. (d)
76. (b) 77. (c) 78. (c) 79. (c) 80. (c)
81. (c) 82. (a) 83. (c) 84. (b) 85. (a)
86. (b) 87. (d) 88. (c) 89. (c) 90. (b)
91. (d) 92. (d) 93. (d) 94. (b) 95. (c)
96. (d) 97. (c) 98. (a) 99. (b) 100. (d)
101. (b) 102. (d) 103. (c) 104. (b) 105. (d)
106. (d) 107. (d) 108. (b) 109. (d) 110. (d)
111. (d) 112. (b) 113. (a) 114. (b) 115. (a)
116. (b) 117. (a) 118. (b) 119. (b) 120. (c)
121. (d) 122. (d) 123. (c) 124. (d) 125. (a)
126. (c) 127. (b) 128. (c) 129. (d) 130. (a)
131. (c)

Unit 5: Balance of Payments

196 Questions

Questions

1. In case of currency appreciation, the domestic currency becomes:
(a) Less valuable
(b) More valuable
(c) Fixed in value
(d) Undefined

2. When the market price of foreign currency falls, national income is likely to:
(a) Rise
(b) Fall
(c) Remain unaffected
(d) Either (a) or (b)

3. When domestic currency appreciates, it benefits ____ and harms ____.
(a) Domestic exporters, domestic importers
(b) Domestic exporters, foreign importers
(c) Domestic importers, foreign exporters
(d) Domestic importers, domestic exporters

4. Who benefits when there is an appreciation of foreign currency in terms of domestic currency?
(a) Importers
(b) Exporters
(c) Both (a) and (b)
(d) Neither

5. The immediate (two-day) exchange of one currency for another is a:
(a) Forward transaction
(b) Spot transaction
(c) Monthly transaction
(d) None of these

6. An agreement to exchange currencies in three months at a fixed price uses the:
(a) Spot exchange rate
(b) Money exchange rate
(c) Forward exchange rate
(d) Monthly exchange rate

7. The exchange rate changes from ₹85/$1 to ₹80/$1. This refers to:
(a) Appreciation of Indian currency
(b) Depreciation of US currency
(c) Appreciation of Indian currency and depreciation of US currency
(d) Depreciation of Indian currency and appreciation of US currency

8. What is the effect of appreciation of domestic currency?
(a) Imports fall, exports rise
(b) Both exports and imports fall
(c) Imports rise, exports fall
(d) Both exports and imports rise

9. 'Hedging' in the foreign exchange market refers to:

(a) An act of devaluation
(b) Covering a risk of future exchange rate fluctuation
(c) Not covering a risk of future fluctuation
(d) An act of revaluation

10. If there is a balance of payment deficit, in a floating exchange rate system:

(a) The external value of the currency falls
(b) The external value of the currency rises
(c) Injections from trade exceed withdrawals
(d) Aggregate demand increases

11. An overvalued currency will have which effect?

(a) Make exports and imports equally costly
(b) Make exports and imports equally cheaper
(c) Make imports relatively more costly
(d) Make imports relatively cheaper

12. An overvalued rupee will:

(a) Make imports cheaper and exports costlier
(b) Make imports costlier and exports cheaper
(c) Protect domestic industry from foreign competition
(d) Improve balance of payments

13. All types of physical goods imported and exported are known as:

(a) Invisible trade
(b) Visible trade
(c) Unilateral transfers
(d) None of these

14. Capital transfers involve transfer of assets and liabilities; Unilateral transfers include gifts and donations. Which statement(s) is/are correct?

(a) Only 1
(b) Only 2
(c) Both 1 and 2
(d) None of these

15. The BOP account of a nation follows double-entry bookkeeping with 'Debits' and 'Credits'. This statement is:

(a) Correct
(b) Incorrect
(c) Partially correct
(d) Cannot be determined

16. BOP account always shows equilibrium from a recording point of view; it does not present a 'deficit' in that accounting sense. This is:

(a) Correct
(b) Incorrect
(c) Partially correct
(d) Cannot be determined

17. When credits of a BOP account are greater than debits, the BOP account is:

(a) In surplus / favourable
(b) In deficit

(c) Balanced
(d) None of these

18. BOP account is prepared for:
(a) One-year period
(b) One accounting period
(c) A fixed period of time
(d) All of these

19. Autonomous items are also called items 'above the line' in the BOP account. Export/import of machines are examples of such items. This is:
(a) Correct
(b) Incorrect
(c) Partially correct
(d) Cannot be determined

20. Capital transfers and unilateral transfers are items:
(a) Below the line in BOP
(b) Above the line in BOP
(c) Neither above nor below the line
(d) Both above and below the line

21. Match: Visibles–Cars/Mobiles, Invisibles–Transport/Communication, Capital account–Foreign Investment, Unilateral transfers–Grants/Donations. The correct sequence is:
(a) 2,1,3,4
(b) 3,2,1,4
(c) 3,4,2,1
(d) 1,2,3,4

22. Which is NOT correctly matched with regard to BOP accounts?
(a) Imports of goods and services – Debit in current account
(b) Receipts of transfer payment – Credit in current account
(c) Direct investment receipts – Credit in capital account
(d) Portfolio investment redemption – Debit in current account

23. Statement-I: BOP records all economic transactions between residents of a country and the rest of the world.
Statement-II: Current account records all transactions relating to assets or liabilities.
(a) Both true
(b) Both false
(c) Statement-I true, II false
(d) Statement-I false, II true

24. Statement-I: External assistance is recorded in the capital account of BOP.
Statement-II: The central bank may finance a BOP deficit by reducing foreign currency reserves.
(a) Both true
(b) Both false
(c) Statement-I true, II false
(d) Statement-I false, II true

25. Statement-I: Borrowing and lending in the international money market is part of the current account.
Statement-II: Autonomous transactions are independent of the state of a country's BOP.
(a) Both true
(b) Both false

(c) Statement-I true, II false
(d) Statement-I false, II true

26. Statement-I: Trade surplus is the excess of payments for imports over receipts of exports.
Statement-II: Current account deficit signifies the nation is a borrower from the rest of the world.
(a) Both true
(b) Both false
(c) Statement-I true, II false
(d) Statement-I false, II true

27. Statement-I: External borrowings are included in the capital account of BOP.
Statement-II: Direct investments (FDI) are included in the current account of BOP.
(a) Both true
(b) Both false
(c) Statement-I true, II false
(d) Statement-I false, II true

28. Statement-I: Portfolio Investment is included in the current account of BOP.
Statement-II: Capital account surplus arises when capital inflows are greater than capital outflows.
(a) Both true
(b) Both false
(c) Statement-I true, II false
(d) Statement-I false, II true

29. Statement-I: RBI sells foreign exchange when there is a BOP deficit.
Statement-II: An increase (decrease) in official reserves is called the overall BOP deficit (surplus).
(a) Both true
(b) Both false
(c) Statement-I true, II false
(d) Statement-I false, II true

30. Statement-I: Outflow of foreign exchange for imports represents demand for foreign exchange.
Statement-II: Total credits (exports, borrowings, investments) represent supply of foreign exchange.
(a) Both true
(b) Both false
(c) Statement-I true, II false
(d) Statement-I false, II true

31. Assertion (A): Trade of invisible items between nations is part of the capital account of BOP.
Reason (R): Transactions that affect asset-liability status are capital account transactions.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

32. Assertion (A): The difference between exports and imports of goods and services is called trade balance.
Reason (R): Trade Balance includes only goods, not services.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

33. Assertion (A): Profit received from investments abroad is recorded in the capital account.
Reason (R): It is recorded in the current account since it is investment income (factor income).

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

34. Assertion (A): Import of machine is recorded in the current account.
Reason (R): All imports and exports of goods are recorded in the current account.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

35. Assertion (A): Foreign investment in India is recorded on the credit side of the capital account.
Reason (R): Foreign investment increases the asset of the country and leads to inflow of foreign currency.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

36. Assertion (A): Current account records only exports and imports of goods and services.
Reason (R): Current account also records unilateral transfers along with exports and imports.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

37. Assertion (A): Borrowing from abroad is recorded on the debit side of the capital account.
Reason (R): It results in inflow of foreign currency, so it is recorded on the credit side.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

38. Assertion (A): Trade deficit is always a great cause of worry for an economy.
Reason (R): Trade deficit is a lesser cause of worry if it reflects a rise in investment that builds future capital stock.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

39. Assertion (A): 'Make in India' will have a favourable impact on India's BOP position.
Reason (R): Make in India increases supply of foreign exchange, improving the BOP position.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

40. Assertion (A): Import of pulses will have a favourable effect on India's BOP.
Reason (R): Import of pulses leads to outflow of foreign exchange, causing an adverse effect on BOP.

(a) Both true, R correct explanation

(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

41. Assertion (A): An increase in foreign income improves the trade balance.
Reason (R): An increase in foreign income leads to increased exports.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

42. Assertion (A): Under a flexible exchange rate system, exchange rate is determined by demand and supply.
Reason (R): The central bank frequently intervenes to stabilize the currency in a flexible system.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

43. An Indian company invests in a company located abroad. This transaction is entered on India's BOP account as:
(a) Debit side of current account
(b) Debit side of capital account
(c) Credit side of capital account
(d) Credit side of current account

44. A company located in India receives a loan from a company located abroad. This is recorded as:
(a) Debit side of current account
(b) Credit side of current account
(c) Credit side of capital account
(d) Debit side of capital account

45. Where is import of machinery recorded in the BoP account?
(a) Debit side in current account
(b) Credit side in current account
(c) Debit side in capital account
(d) Credit side in capital account

46. 1971: US President Nixon suspended the dollar's convertibility into gold. This led to the end of:
(a) Flexible exchange rate system
(b) The Bretton Woods system
(c) Gold standard system of exchange rate
(d) Dollar being the world currency

47. Data: Exports 150, Imports 200, Net Invisibles 20. Which statement is INCORRECT?
(a) Balance of payments cannot be determined by the data
(b) There is capital account surplus of 50 million USD
(c) There is current account deficit of 30 million USD
(d) Balance of trade is unfavourable to the country

48. 'The RBI intervened to arrest the rupee's slide by selling dollars.' Which statement is FALSE?
(a) The value of the rupee against the dollar must be rising before intervention
(b) The transaction is a below-the-line item in BOP
(c) The transaction is an accommodating transaction
(d) The foreign exchange rate for one rupee must be rising before intervention

49. Identify which of the following is NOT a source of demand for foreign exchange.
(a) Imports of goods and services
(b) Gifts by Indians to families abroad
(c) Indian tourists visiting foreign countries
(d) Loans from the Rest of the World

50. If ₹89 is required to buy $1 instead of ₹80 earlier, it means:
(a) Domestic currency has depreciated
(b) Foreign currency has appreciated
(c) Domestic currency has appreciated
(d) Both (a) and (b)

51. A sustained increase in the exchange rate (domestic currency price of foreign currency) is called a currency:
(a) Depreciation
(b) Appreciation
(c) Devaluation
(d) Revaluation

52. The measurement of a Balance of Payments deficit/surplus is based on ____ transactions.
(a) Accommodating
(b) Autonomous
(c) Current account
(d) Capital account

53. Assertion (A): Trade of invisible items between two nations is a part of the capital account of BOP.
Reason (R): Transactions that affect the asset-liability status of a country in relation to the rest of the world are known as capital account transactions.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

54. Which of the following statements is NOT true?
(a) Borrowing from the Asian Development Bank by the Government is an accommodating transaction
(b) Loans given to Sri Lanka by the Government are an accommodating transaction
(c) Buying of machinery from Japan is an accommodating transaction
(d) Borrowing from the public is an accommodating transaction

55. A real estate company receives rent from a foreign firm in New York. This is recorded on the ____ side, ____ account of BOP.
(a) Credit, Current
(b) Debit, Current
(c) Credit, Capital
(d) Debit, Capital

56. The fixed exchange rate is decided by the market forces in a free market.
(a) True
(b) False

57. Depreciation of the Indian currency will lead to promotion of Indian exports.
(a) True
(b) False

58. Statement-1: Due to the depreciation of the US Dollar, the purchasing power of the Indian Rupee may increase.
Statement-2: Appreciation of domestic currency may lead to a rise in exports.

(a) Both statements true
(b) Both statements false
(c) Statement 1 true, Statement 2 false
(d) Statement 2 true, Statement 1 false

59. Statement-1: Devaluation of the domestic currency makes imports cheaper.
Statement-2: Managed Floating Rate system is also known as Dirty Floating.

(a) Both statements true
(b) Both statements false
(c) Statement 1 true, Statement 2 false
(d) Statement 2 true, Statement 1 false

60. Exports of COVID vaccines manufactured in India led to:

(a) Inflow of Indian Currency
(b) Outflow of foreign currency
(c) Inflow of foreign currency & employment generation
(d) Outflow of foreign currency & employment generation

61. Assertion (A): The Managed Floating Exchange Rate system is an amalgamation of fixed and flexible exchange rate systems.
Reason (R): The Central Bank can manipulate the flexible exchange rate system.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

62. Assertion (A): Foreign exchange rate supports the comparison of international costs and prices.
Reason (R): Foreign exchange rate is the price of one currency in terms of other commodities.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

63. Due to a change in the value of the rupee from ₹80/$ to ₹84/$, which of the following effects will NOT hold true?

(a) Exports will increase
(b) Domestic goods will become cheaper for foreigners
(c) Imports will decrease
(d) National Income will fall

64. Other things remaining unchanged, when the price of foreign currency rises in a country, national income is:

(a) Likely to rise
(b) Likely to fall
(c) Likely to rise or fall
(d) To remain unaffected

65. Two friends Mira and Sindhu were discussing exchange rate systems: 'Under this system, exchange rates are determined by market forces of demand and supply; however, deliberate efforts are made by the competent authority to keep the exchange rates within a specific range.' Identify the type of exchange rate system being discussed.

(a) Fixed Exchange Rate
(b) Managed Floating Exchange Rate

(c) Floating Exchange Rate
(d) Managed Fixed Exchange Rate

66. Dr. Mahesh stated: 'In a particular exchange rate system, to keep the foreign rate within certain limits, the central bank maintains huge foreign exchange reserves.' Identify the type of exchange rate system.

(a) Fixed exchange rate
(b) Floating exchange rate
(c) Managed floating exchange rate
(d) Managed fixed exchange rate

67. Assertion (A): Both devaluation and depreciation make domestic currency cheaper in terms of foreign currency.
Reason (R): Depreciation is associated with a fixed exchange rate system.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

68. In an economy, the value of Net Factor Income from Abroad is ₹300 crore and the value of Factor Income to Abroad is ₹50 crore. Identify the value of Factor Income from Abroad.

(a) ₹250 crore
(b) ₹350 crore
(c) ₹360 crore
(d) ₹300 crore

69. In the ____ exchange rate system, the currency's value is allowed to fluctuate within a predetermined range or band.

(a) Fixed
(b) Pegged
(c) Flexible
(d) Managed Float

70. A country has a trade surplus. What is the likely consequence on the value of its currency?

(a) Devaluation of the currency
(b) Appreciation of the currency
(c) No change in the value of the currency
(d) Depreciation of the currency

71. Statement 1: Balance of payments is an accounting statement.
Statement 2: Balance of payments records the foreign exchange transactions of the country with the rest of the world.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

72. 'India is taking huge leaps in the index of Ease of Doing Business; as a result, many MNCs are shifting their production base to India.' Identify the most likely impact on the Balance of Payment situation of the Indian Economy.

(a) Production of cars in India will rise
(b) Production and sale of cycles in India will rise
(c) Inflow of US Dollars in India will rise
(d) Outflow of US Dollars from India will rise

73. Unilateral transfers are included in:

(a) Capital Account of BOP
(b) Current Account of BOP
(c) Foreign Account of BOP
(d) None of these

74. Find the true statement from the following:

(a) There is an inverse relation between foreign exchange rate and supply of foreign exchange
(b) An American purchasing goods and services from India creates demand for foreign exchange
(c) An Indian firm purchasing goods and services from America creates demand for foreign exchange
(d) All statements are true

75. Under the balance of payments structure of a nation, the two main categories of accounts for classification of transactions are ____ and ____.

(a) Current account and Unilateral transfer account
(b) Current account and Capital account
(c) Capital account and Loan account
(d) Loan account and Current account

76. Identify the correct reason(s) that may affect the supply of foreign exchange in an economy:

I. Imports of visibles
II. Exports of invisibles
III. Remittances by residents working abroad
IV. Purchase of assets abroad

(a) I and II
(b) II and III
(c) III and IV
(d) I and IV

77. Choose the correctly matched pair from the following:

Column A: (A) Sum of credit is equal to, (B) Unilateral transactions, (C) Autonomous items, (D) Change in foreign exchange reserves with government

Column B: (1) Accommodating items, (2) Transfer receipts, (3) Sum of debit, (4) Transactions above the line

(a) A-1
(b) B-2
(c) C-4 and D-3
(d) D-1

78. 'Interest on the deposit from a foreign bank is recorded in the current account.' Choose the correct reason.

(a) It is a visible good
(b) It is an invisible service
(c) It is income from abroad
(d) It is a transfer receipt

79. As per an RBI press report dated 29th December 2022: 'Net external commercial borrowings to India recorded an outflow of US$0.4 billion in the second quarter (2022-23).' Outflow of foreign exchange is recorded on which side of the BOP account?

(a) Current, credit
(b) Current, debit
(c) Capital, credit
(d) Capital, debit

80. Assertion (A): Imports of crude oil by India will have a favourable impact on the Balance of Payments of India.
Reason (R): Imports of goods are recorded on the debit side of the current account as they lead to outflow of foreign exchange.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

81. 'Gifts and remittances to abroad' are recorded on the:

(a) Debit side of Current Account
(b) Credit side of Current Account
(c) Credit side of Capital Account
(d) Debit side of Capital Account

82. Statement 1: Accommodating items of trade are undertaken in order to maintain the balance in the BoP account.
Statement 2: Accommodating items are net consequences of autonomous transactions that are undertaken to correct disequilibrium in autonomous items of BoP.
Choose the correct alternative.

(a) Statement 1 is false and statement 2 is true
(b) Statement 1 is true and statement 2 is false
(c) Both statements 1 and 2 are false
(d) Both statements 1 and 2 are true

83. For an imaginary country: Imports of goods = ₹400 crore, Exports of goods = ₹340 crore, Shipping = ₹3 crore, Travel/tourism = ₹5 crore, Interest/dividends/profits = ₹50 crore, Unilateral transfers = ₹40 crore. The value of the Balance of Trade would be:

(a) ₹(-)40 crore
(b) ₹60 crore
(c) ₹40 crore
(d) ₹(-)60 crore

84. Assertion (A): Import of goods and services reflects demand for foreign currency.
Reason (R): Import of goods and services shows inflow of foreign exchange.

(a) Both A and R are true and R is not the correct explanation of A
(b) Both A and R are true and R is the correct explanation of A
(c) Assertion (A) is false but Reason (R) is true
(d) Assertion (A) is true but Reason (R) is false

85. Foreign exchange rate refers to:

(a) The price of one currency in terms of gold in the domestic market
(b) The price of one currency in relation to other currencies in the international money market
(c) The price of domestic currency in relation to foreign currency in the international money market
(d) Both (b) and (c)

86. Statement 1: Export and import of goods and services will be included in the balance of trade.
Statement 2: Borrowing from IMF by India will be recorded on the credit side of the capital account.
Choose the correct alternative.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

87. Export of goods is ₹200 crore and Balance of Trade is ₹(-)100 crore. Calculate the value of import of goods.

(a) ₹100 crore
(b) ₹200 crore
(c) ₹300 crore
(d) ₹400 crore

88. 'Owing to the COVID-19 crisis, the world was experiencing falling crude prices due to demand-side issues.' Identify the most likely impact on the Balance of Payment situation of the Indian economy.

(a) Production of food grains in India will rise
(b) Production and sale of cycles in India will rise
(c) Inflow of US Dollars in India will rise
(d) Outflow of US Dollars from India will reduce

89. Statement 1: Export of goods by India will be recorded on the credit side of the current account.
Statement 2: Foreign Direct Investment in India will be recorded on the credit side of the capital account.
Choose the correct alternative.

(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

90. ____ (Current/Capital) account of the Balance of Payments records transactions impacting the assets and liabilities of the country.

(a) Current
(b) Capital
(c) Both
(d) Neither

91. Increase in demand for foreign currency, under a flexible exchange rate system, leads to:

(a) Appreciation of domestic currency
(b) Depreciation of domestic currency
(c) Revaluation of domestic currency
(d) Devaluation of domestic currency

92. Assertion (A): Currency held by the public is a monetary liability of the central bank.
Reason (R): The central bank controls credit, whereas commercial banks create credit with the currency held by the public.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) Assertion (A) is true, but Reason (R) is false
(d) Assertion (A) is false, but Reason (R) is true

93. Assertion (A): A country always tries to balance its BOP, i.e., balance in the current account equals balance in the capital account.
Reason (R): A balanced BOP indicates a stable economic relation with the rest of the world.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) Assertion (A) is true, but Reason (R) is false
(d) Assertion (A) is false, but Reason (R) is true

94. Assertion (A): Exports of textile will have an unfavourable impact on the Balance of Payments of India.
Reason (R): Exports of goods are recorded on the credit side of the Current Account as it leads to inflow of foreign exchange in India.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Reason (R) is true but Assertion (A) is false

95. Statement 1: Depreciation of domestic currency leads to a rise in exports.
Statement 2: Devaluation of domestic currency leads to a fall in exports.
Choose the correct alternative.
(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true
(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

96. An Indian real estate company receives rent from Google in New York. This transaction would be recorded on the ____ side of the ____ account.
(a) Credit, current
(b) Credit, capital
(c) Debit, capital
(d) Debit, current

97. If the supply of foreign exchange increases, demand remaining the same, the exchange rate will fall, implying ____ on domestic currency.
(a) Appreciation
(b) Depreciation
(c) Revaluation
(d) Devaluation

98. Other things remaining the same, when in a country the market price of foreign currency falls, national income is likely to:
(a) Rise
(b) Fall
(c) Both (a) and (b)
(d) Remain unaffected

99. Government transactions include ____ to keep the BOP in balance, which are not carried out for profits.
(a) Borrowings from IMF and other financial institutions
(b) Grants and donations
(c) Foreign exchange reserves
(d) Both (a) and (c)

100. Suppose the Balance of Trade of a nation exhibits a surplus of ₹20,000 crore. The import of merchandise of the nation is half of the exports of merchandise to the rest of the world. The value of exports would be ₹____ crore.
(a) 30,000
(b) 40,000
(c) 24,000
(d) 35,000

101. If the balance of trade is ₹(-)600 crore and the value of exports is ₹500 crore, the value of imports will be:
(a) ₹1,300 crore
(b) ₹300 crore
(c) ₹1,100 crore
(d) ₹1,200 crore

102. Borrowing of the Rest of the World would be recorded as ____ items in the capital account of BOP.

(a) Debit
(b) Credit
(c) Zero
(d) None of these

103. Assertion (A): The Fixed Exchange Rate system involves active involvement of the central bank/government of the respective countries.

Reason (R): In the fixed exchange rate system, once the exchange rate is decided, it is usually kept fixed in order to maintain stability in economic transactions.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

104. If the balance of trade shows a deficit of ₹200 crore and the value of imports is ₹900 crore, then the value of exports would be:

(a) ₹200 crore
(b) ₹500 crore
(c) ₹700 crore
(d) ₹900 crore

105. An Indian company acquires a British car company. This transaction would be recorded on the ____ side of the ____ account.

(a) Debit, Capital
(b) Credit, Capital
(c) Debit, Current
(d) Credit, Current

106. If the value of Exports = ₹300 crore and the Balance of Trade = ₹(-)200 crore, what will be the value of Imports?

(a) ₹300 crore
(b) ₹500 crore
(c) ₹200 crore
(d) ₹100 crore

107. In 2020, India's purchasing power parity was 22 national currency units (rupees) per US dollar. What does this mean?

(a) Goods that can be bought for 1 dollar in the US would require 22 rupees in India
(b) Goods in India that can be bought for 1 dollar would require 22 dollars in the US
(c) Goods that can be bought for 1 dollar in the US would require 22 dollars in India
(d) Goods in India that can be bought for 1 rupee would require 22 dollars in the US

108. 'India received a loan from the IMF in 1991.' How is this transaction recorded in India's Balance of Payments account?

(a) Credit side of current account
(b) Debit side of current account
(c) Credit side of capital account
(d) Debit side of capital account

109. Equilibrium in the Balance of Payments is achieved when the net value of all the receipts and payments is:

(a) Zero
(b) Positive

(c) Negative
(d) Equal

110. Read the following statements carefully and choose the correct alternative:
Statement 1: If the foreign exchange rate of a country increases, demand for foreign exchange will also increase.
Statement 2: If the foreign exchange rate increases, supply of foreign exchange will also increase.
(a) Both the statements are correct
(b) Both the statements are incorrect
(c) Statement 1 is correct and statement 2 is incorrect
(d) Statement 1 is incorrect and statement 2 is correct

111. 'The Reserve Bank of India is said to have intervened lately to arrest the rupee's slide by selling Dollars on a large scale.' Which of the following statements regarding this news is true?
(a) The transaction referred to is not an autonomous transaction
(b) RBI has taken the step to prevent the dollar from appreciating
(c) The given transaction is carried out under a fixed exchange rate system
(d) The value of the rupee against one dollar must be falling before the transaction

112. Shubham, who is a normal resident of India, buys a laptop from Britain. This spending is treated as a ____ within the circular flow of income and ____ aggregate demand of the domestic economy of India.
(a) Leakage, Decreasing
(b) Leakage, Increasing
(c) Injection, Decreasing
(d) Injection, Increasing

113. Appreciation of domestic currency will cause:
(a) Rise in domestic exports
(b) Fall in domestic exports
(c) Fall in domestic imports
(d) Both (a) and (c)

114. The import-export of which of the following items is included in the invisible trade balance?
(a) Banking
(b) Insurance
(c) Both (a) and (b)
(d) Commercial goods

115. Identify the correct reason(s) that may affect the demand for foreign exchange in an economy:
I. Imports of visibles
II. Exports of invisibles
III. Remittances by residents working abroad
IV. Purchase of assets abroad
(a) I and II
(b) II and III
(c) III and IV
(d) I and IV

116. Statement 1: The value added of an oil refinery will be counted as part of the GDP of the economy.
Statement 2: Production by an oil refinery using sub-standard techniques is a negative externality.
Choose the correct alternative.
(a) Statement 1 is true and statement 2 is false
(b) Statement 1 is false and statement 2 is true

(c) Both statements 1 and 2 are true
(d) Both statements 1 and 2 are false

117. 'I would look at it not as the rupee sliding, but as the dollar strengthening incessantly,' said the Finance Minister after the Annual meetings of the IMF and World Bank. Identify the most likely impact on India's imports and exports due to the strengthening of the foreign currency (dollar):

(a) Imports become costlier
(b) Imports become cheaper
(c) Exports become cheaper
(d) Both (a) and (c)

118. Balance of Payments is a set of accounts showing:

(a) All monetary transactions of a country with the rest of the world
(b) All economic transactions between residents of the domestic country and residents of foreign countries
(c) All autonomous transactions of a country with the rest of the world
(d) Both (a) and (b)

119. A strategy of growth that favours domestic production of goods which are imported from the rest of the world is called:

(a) Import substitution
(b) Export promotion
(c) Balanced growth
(d) Balance of trade

120. International monetary transactions occur due to:

(a) Export and import of goods
(b) Domestic sale and purchase of real assets
(c) International sale and purchase of real assets
(d) Both (a) and (c)

121. Country A has a higher rate of inflation than Country B. Which of the following is most expected?

(a) A surplus trade balance in country B
(b) A deficit trade balance for country A
(c) A rise in exports from country A to country B
(d) A rise in imports from country B to country A

122. Current transfers are treated as an element of visible trade in the BoP accounts.

(a) True
(b) False

123. Insurance and banking are examples of non-factor services.

(a) True
(b) False

124. Statement 1: Autonomous items are the cause of BoP imbalance.
Statement 2: Accommodating items do not involve the movement of goods across borders.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

125. Statement 1: BoP performance of a country impacts its monetary and fiscal policies.
Statement 2: BoP data does not offer any information on net factor income from abroad.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

126. Statement 1: NRI deposit is a current account transaction.
Statement 2: Current account transactions do not give rise to future claims.
(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

127. Assertion (A): In a state of BoP equilibrium, there is an increase in official reserves with the central bank of the country.
Reason (R): Foreign private loans are included in the capital account of the balance of payments.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

128. Assertion (A): Balance of payments records transactions related to goods as well as services.
Reason (R): Current account balance includes the balance of trade as well as balance on invisibles.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

129. Assertion (A): Goods bought by foreign tourists in the domestic markets are not treated as 'export'.
Reason (R): Only such goods are treated as 'export' which are tangible and can be seen crossing the borders as merchandise.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

130. The exchange rate at which demand for and supply of foreign currency are equal is called the:
(a) Disequilibrium rate
(b) Par rate
(c) Fixed rate
(d) Market rate

131. According to the Mint Par Parity Theory, the exchange rate is determined by the ____ standard.
(a) Gold
(b) Paper currency
(c) Silver
(d) Bimetallic

132. The demand curve for foreign exchange is:
(a) Negatively related to the rate of exchange
(b) Positively related to the rate of exchange
(c) Proportionately related to the rate of exchange
(d) Not related to the rate of exchange

133. Which of the following is a source of demand for foreign exchange?

(a) Imports
(b) Foreign investment (outward)
(c) Income receipts
(d) Both Imports and Foreign investment (outward)

134. 'The Gold Standard system of exchange rate is an old variant of the flexible exchange rate system.' This statement is:

(a) True
(b) False

135. Statement 1: If the US $ exchanges for ₹70 instead of ₹60 earlier, the Indian rupee shows depreciation.
Statement 2: Depreciation of domestic currency encourages imports.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

136. Statement 1: Under appreciation of domestic currency, fewer rupees are needed to buy one US dollar.
Statement 2: Appreciation of domestic currency is a situation of a fall in the exchange rate.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

137. Statement 1: Under revaluation, the value of the domestic currency is deliberately raised by the government.
Statement 2: Devaluation of currency is the same as depreciation of currency.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

138. Statement 1: A fixed exchange rate is set and maintained by market forces of demand and supply.
Statement 2: Changes in the flexible rate of exchange are planned and introduced by the government.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

139. Assertion (A): Increase in demand for foreign currency leads to currency depreciation.
Reason (R): Increase in demand causes a rise in the exchange rate.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

140. Assertion (A): The Gold Standard system of exchange rate is an old variant of the fixed exchange rate system.
Reason (R): Mint value of a currency implied paper value of that currency.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

141. Assertion (A): The flexible rate of exchange is also called managed rate of exchange.
Reason (R): It is determined by demand and supply forces in the foreign exchange market.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

142. Assertion (A): Export is an important source of supply of foreign exchange from the rest of the world.
Reason (R): In case of currency appreciation, fewer rupees are to be paid to buy one US dollar.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

143. If the balance of trade of a nation shows a deficit of ₹600 crore, the value of exports is ₹800 crore, and transfer payments are ₹100 crore, the value of imports will be:

(a) ₹1,300 crore
(b) ₹1,500 crore
(c) ₹200 crore
(d) ₹1,400 crore

144. Trade balance is reflected as:
I. Trade deficit when M > X
II. Trade surplus when X > M
III. Trade deficit when M < X
IV. Trade surplus when X < M

(a) I and III
(b) II and IV
(c) I and II
(d) I and IV

145. Statement 1: Transactions which lead to inflow of foreign exchange are recorded on the credit side.
Statement 2: In a current account, receipts from export of goods and services, unilateral transfers, and income from investment and work are entered as credit items as they represent inflow of foreign exchange.

(a) Both statements are false
(b) Statement 1 is true and statement 2 is false
(c) Both statements are true
(d) Statement 2 is true and statement 1 is false

146. Statement 1: Accommodating transactions take place on the current account.
Statement 2: These items are also known as 'below the line items'.

(a) Both statements are false
(b) Statement 1 is true and statement 2 is false
(c) Both statements are true
(d) Statement 2 is true and statement 1 is false

147. Statement 1: Autonomous items are classified as above the line items of BOP.
Statement 2: Autonomous items lead to correction of BoP.

(a) Both statements are false
(b) Statement 1 is true and statement 2 is false
(c) Both statements are true
(d) Statement 2 is true and statement 1 is false

148. Statement 1: BoP disequilibrium occurs when current account balance and capital account balance are not equal to zero.

Statement 2: It causes movement of official reserves.

(a) Both statements are false
(b) Statement 1 is true and statement 2 is false
(c) Both statements are true
(d) Statement 2 is true and statement 1 is false

149. Statement 1: Balance of Payments is a statement of account showing all monetary and non-monetary transactions.

Statement 2: Monetary transactions relate to export and import of goods; this is called visible trade.

(a) Both statements are false
(b) Statement 1 is true and statement 2 is false
(c) Both statements are true
(d) Statement 2 is true and statement 1 is false

150. Statement 1: Money sent by NRIs to their family in India is to be treated as current transfers and are recorded in the capital account of BoP.

Statement 2: Only deposits held by NRIs in the domestic economy are to be considered as a component of the capital account.

(a) Both statements are false
(b) Statement 1 is true and statement 2 is false
(c) Both statements are true
(d) Statement 2 is true and statement 1 is false

151. Cause of BOP imbalance relates to:

(a) Autonomous items
(b) Accommodating items
(c) Both autonomous and accommodating items
(d) Neither autonomous nor accommodating items

152. Trade Surplus refers to:

(a) Export of goods and services is greater than import of goods and services
(b) Import of goods and services is greater than export of goods and services
(c) Export of invisible items is greater than import of invisible items
(d) Export of visible items is greater than import of visible items

153. The 'resident', whose monetary transactions get recorded under the Balance of Payments system, includes:

(a) Government agencies
(b) Individuals
(c) Firms
(d) All of the above

154. Statement 1: Exports are entered as credit items in the balance of payments account as they correspond to outflow of foreign exchange.

Statement 2: Imports are entered as debit items in the balance of payments account as they correspond to outflow of foreign exchange.

(a) Both statements are false
(b) Statement 1 is true and statement 2 is false
(c) Both statements are true
(d) Statement 2 is true and statement 1 is false

155. Which of the following is NOT a component of the Balance of Payments?

(a) Real account
(b) Current account
(c) Capital account
(d) None of the above

156. The Current account of the Balance of Payments includes transactions like:
(a) Imports and exports of goods and services
(b) Transfers to and from abroad
(c) Income to and from abroad
(d) All of the above

157. The Capital account of the Balance of Payments includes transactions like:
(a) Changes in foreign exchange reserves
(b) Investments to and from abroad
(c) Borrowings and lendings to and from abroad
(d) All of the above

158. Balance of Payments is a ____ concept as compared to Balance of Trade.
(a) Broader
(b) Similar
(c) Narrower
(d) None of the above

159. The measures taken to improve the negative Balance of Payments include:
(a) Exchange control
(b) Currency devaluation
(c) Import substitution
(d) All of the above

160. An increase in the foreign exchange reserve gets recorded on the ____ of the Balance of Payments account.
(a) Debit side
(b) Credit side
(c) Not added to any side
(d) It can be added to any side

161. Which of the following are a part of the Capital account of the Balance of Payments?
(a) Foreign loans
(b) Monetary movements
(c) Foreign investments
(d) All of the above

162. Balance of Payments is an accounting statement for a:
(a) Business year
(b) New year
(c) Accounting year
(d) All of the above

163. The current account deficit is unfavorable for a country because it signifies:
(a) Demerits for the nation
(b) That the nation is a borrower from the rest of the world
(c) The government does not have sufficient foreign exchange to finance its international payment
(d) Both (b) and (c)

164. If the value of visible exports is more than the value of invisible imports, the balance relates to:

(a) Trade deficit
(b) Capital account
(c) Current account
(d) It cannot be determined

165. If the value of visible imports is more than the value of invisible exports, the balance relates to:

(a) Trade deficit
(b) Capital account
(c) Current account
(d) It cannot be determined

166. If the trade deficit is Rs. 1,000 crores and the import of goods is Rs. 2,000 crores, then the export of goods will be Rs. ____.

(a) 2,000 crores
(b) 1,000 crores
(c) 1,500 crores
(d) 500 crores

167. "As per the National Stock Exchange (NSE) data, dated 9th June, 2023, there was a net selling off worth ₹ 309 crore by Foreign Institutional Investors (FIIs) over the period of one month i.e., 9th May, 2023 - 9th June, 2023." The above mentioned transactions will be recorded on ____ side of ____ account of Balance of Payments of India. (Choose the correct alternative to fill in the blanks)

(a) Debit, Current
(b) Credit, Capital
(c) Credit, Current
(d) Debit, Capital

168. Surplus in Balance of Payments (BOP) refers to the excess of ____. (Choose the correct alternative to fill in the blank)

(a) Autonomous payments over Autonomous receipts
(b) Current Account payments over Autonomous receipts
(c) Capital Account receipts over Capital Account payments
(d) Autonomous receipts over Autonomous payments

169. Identify which of the following is not one of the merits of fixed exchange rate system.

(a) Ensures stability in exchange rate
(b) Possibility of under or over valuation of foreign currency
(c) Prevents speculations in foreign exchange market
(d) Coordination of macroeconomic policies becomes convenient

170. Identify which of the following will appear on the debit side in the Capital Account of India's Balance of Payments.

(a) An Indian sending remittances from England
(b) Investing in assets abroad by Indians
(c) An American company purchasing shares of an Indian company
(d) Export of spices from India

171. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below: Assertion (A): In case of an unfavourable Balance of Trade, the Current Account of the nation may be in surplus. Reason (R): Net invisible receipts of a nation can exceed the Net visible receipts.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of the Assertion (A).

(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of the Assertion (A).

(c) Assertion (A) is true, but Reason (R) is false.

(d) Assertion (A) is false, but Reason (R) is true.

172. Under the ____Exchange Rate System, the Central Bank can control the rise / fall of foreign exchange rate in a range bound manners. (Fill up the blank with correct alternative.)

(a) fixed

(b) flexible

(c) managed floating

(d) gold standard

173. If in an economy the Balance of Trade is showing a deficit of ₹ 200 crore and the value of import is ₹ 900 crore, then the value of exports would be ₹ ____crore. (Fill up the blank with correct alternative.)

(a) 200

(b) 1100

(c) 700

(d) 900

174. From the following, identify the correct reasons that may affect the supply of foreign exchange in an economy: I. Purchase of land in England by an Indian II. Foreign tourists visiting Taj Mahal III. Donation of $ 500 million from Microsoft IV. Indian students going to Australia for studies

(a) I and II

(b) II and IV

(c) II and III

(d) I and IV

175. The measurement of Balance of Payments deficit is based on ____ transactions. (Fill up the blank with correct alternative.)

(a) Autonomous

(b) Accommodating

(c) Current account

(d) Capital account

176. Under ____ exchange rate system, the Central Bank and Government of the country do not have any authority to interfere in the exchange rate determination. (Choose the correct alternative to fill in the blank)

(a) fixed

(b) floating

(c) managed floating

(d) gold standard

177. Keeping all other factors constant, trade surplus may arise in the Balance of Payments of a nation because of ____. (Choose the correct alternative to fill in the blank)

(a) rise in export of coffee to Japan

(b) fall in import of banking services

(c) fall in exports of cereals

(d) rise in remittances to abroad

178. The ____ account of Balance of Payments reflects the net changes in financial claims on the Rest of the World (ROW). (Choose the correct alternative to fill in the blank)

(a) Trade

(b) Capital

(c) Current

(d) Visible

179. In the context of Current Account transactions of Balance of Payment, identify the incorrect statement from the following: (Choose the correct option) Options:

(a) Export of goods and services are recorded as credit items.
(b) Import of goods and services are recorded as debit items.
(c) All transfer payments are recorded as debit items.
(d) All transfer receipts are recorded as debit items.

180. Read the following statements carefully: Statement-1: Managed floating exchange rate system is an amalgamation of fixed and flexible exchange rate system. Statement-2: Managed floating exchange rate system is also known as 'hybrid system'. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

181. If a country exports goods worth of ₹ 600 crores and imports goods worth of ₹ 450 crores, the value of Balance of Trade of the country would be ____ of ₹____ crores.

(a) deficit, 150
(b) surplus, 150
(c) deficit, 1,050
(d) surplus, 1,050

182. Read the following statements carefully: Statement 1: Import of heavy machinery from Japan is a source of demand for foreign exchange. Statement 2: Financial aid by International Bank for Reconstruction and Development (IBRD) for landslide in Wayanad (Kerala) is a source of supply of foreign exchange. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

183. Market forces of demand and supply, actively interact under ____exchange rate system to determine the foreign exchange rate. (Choose the correct option to fill in the blank)

(a) fixed
(b) flexible
(c) managed floating
(d) fixed floating

184. From the following, identify the situation which indicates the Current Account Surplus (CAS) in Balance of Payments (BOP) account of a nation.

(a) Excess of receipts on current account over the payments on current account.
(b) Equality of receipts on current account and payments on current account.
(c) Excess of payments on current account over receipts on current account.
(d) Excess of payments on current account over receipts on capital account.

185. Read the following statements -- Assertion (A) and Reason (R) carefully. Choose the correct option from those given below: Assertion (A): Other things remaining constant, devaluation of domestic currency may lead to rise in National Income of the nation. Reason (R): Devaluation of domestic currency refers to reduction in the value of domestic currency by the government with respect to foreign currency under the fixed exchange rate system. Options:

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

186. Read the following statements carefully : Statement 1: Keeping other things constant, there exists positive correlation between the price of foreign exchange and its demand. Statement 2: The foreign exchange rate indicates a country's purchasing power in international markets. In the light of the given statements, choose the correct option from the following :

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

187. Read the following statements carefully: Statement 1: Depreciation of currency is an economic action undertaken by the government of a nation under the fixed exchange rate system. Statement 2: Under the floating exchange Rate system, authorities actively intervene in the foreign exchange market by way of maintaining foreign exchange reserves. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and statement 2 is false.
(b) Statement 1 is false and statement 2 is true.
(c) Both statements 1 and 2 are true.
(d) Both statements 1 and 2 are false.

188. Read the following statements carefully: Statement 1: Under the flexible exchange rate system, a deficit / surplus in the Balance of Payments is automatically corrected. Statement 2: Under the flexible exchange rate system, there is always a possibility of over/under valuation of currency. In the light of the above given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

189. Identify, the factor which influences the demand for foreign exchange in a country. (Choose the correct option) Options :

(a) Investments made by Indians in Japan
(b) Indian producers exporting fabrics to United States of America (USA)
(c) Remittances by Indian workers from Gulf countries
(d) An Indian software company providing services to clients abroad

190. Read the following statements carefully: Statement I: Trade in services includes both factor income and non-factor income transactions. Statement II: Current Account includes transactions related to goods, services and unilateral transfers. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

191. Under the fixed exchange rate system, if the government decreases the value of domestic currency with respect to a foreign currency, it is known as ____ of currency. (Choose the correct option to fill in the blank) Options:

(a) Devaluation
(b) Depreciation
(c) Appreciation
(d) Revaluation

192. Purchase of a property by an Indian resident abroad can be recorded on the ____ side of ____ account of Balance of Payments. (Choose the correct option to fill in the blanks) Options:

(a) Credit, Capital
(b) Credit, Current
(c) Debit, Current
(d) Debit, Capital

193. Under the flexible exchange rate system, the exchange rate is determined by the ____. (i) Government (ii) Demand and supply (iii) Intervention of the Central Bank (Choose the correct option to fill in the blank) Options:

(a) Only (i)
(b) Only (ii)
(c) Only (iii)
(d) (ii) and (iii)

194. Identify the transactions that will be recorded in India's capital account of the Balance of Payments (BoP): (Choose the correct option) (i) Indian residents purchasing properties in Dubai (ii) Indian firms borrowing from international banks (iii) Remittances by Indians working abroad (iv) Repayment of outstanding loans by the Indian Government to the IMF Options:

(a) (i) and (iii)
(b) Only (iii)
(c) (ii) and (iii)
(d) (i), (ii) and (iv)

195. Identify the correct pair of statements given in Column I with the related terms in Column II: Column I: 1. Remittances from abroad to the nation 2. Government's policy of decreasing the value of the nation's currency against foreign currencies 3. Difference between visible exports and visible imports of a nation 4. Government as sole authority of determining foreign exchange rates. Column II: (i) Accommodating Transaction (ii) Devaluation (iii) Balance of Payments (iv) Flexible Exchange Rate System

(a) 1 -> (i)
(b) 2 -> (ii)
(c) 3 -> (iii)
(d) 4 -> (iv)

196. Which statement is correct?

(a) Balance of trade records exports and imports of invisible items
(b) Accommodating items are only recorded in the capital account of BoP
(c) Import of machinery is recorded in the capital account of BoP
(d) A surplus in BoT can rectify the deficit in BoP

Answer Key

1. (b) 2. (b) 3. (c) 4. (b) 5. (b)
6. (c) 7. (c) 8. (c) 9. (b) 10. (a)
11. (d) 12. (a) 13. (b) 14. (c) 15. (a)
16. (a) 17. (a) 18. (d) 19. (a) 20. (a)
21. (b) 22. (d) 23. (c) 24. (a) 25. (d)
26. (d) 27. (c) 28. (d) 29. (c) 30. (a)
31. (d) 32. (c) 33. (d) 34. (a) 35. (a)
36. (d) 37. (d) 38. (d) 39. (a) 40. (d)
41. (a) 42. (c) 43. (b) 44. (c) 45. (a)
46. (b) 47. (b) 48. (a) 49. (d) 50. (d)
51. (a) 52. (b) 53. (d) 54. (c) 55. (a)
56. (b) 57. (a) 58. (c) 59. (d) 60. (c)
61. (c) 62. (c) 63. (d) 64. (a) 65. (b)
66. (c) 67. (c) 68. (b) 69. (d) 70. (b)
71. (c) 72. (c) 73. (b) 74. (c) 75. (b)
76. (b) 77. (b) 78. (c) 79. (d) 80. (d)
81. (a) 82. (d) 83. (d) 84. (d) 85. (d)
86. (b) 87. (c) 88. (d) 89. (c) 90. (b)
91. (b) 92. (b) 93. (a) 94. (d) 95. (a)
96. (a) 97. (a) 98. (b) 99. (d) 100. (b)
101. (c) 102. (a) 103. (b) 104. (c) 105. (a)
106. (b) 107. (a) 108. (c) 109. (a) 110. (d)
111. (d) 112. (a) 113. (b) 114. (c) 115. (d)
116. (c) 117. (d) 118. (d) 119. (a) 120. (d)
121. (d) 122. (b) 123. (a) 124. (a) 125. (c)
126. (d) 127. (d) 128. (b) 129. (a) 130. (b)
131. (a) 132. (a) 133. (d) 134. (b) 135. (c)
136. (a) 137. (c) 138. (b) 139. (a) 140. (c)
141. (d) 142. (b) 143. (d) 144. (c) 145. (c)
146. (d) 147. (b) 148. (c) 149. (d) 150. (d)
151. (a) 152. (d) 153. (d) 154. (d) 155. (a)
156. (d) 157. (d) 158. (a) 159. (d) 160. (b)
161. (d) 162. (c) 163. (d) 164. (d) 165. (d)
166. (b) 167. (d) 168. (d) 169. (b) 170. (b)
171. (a) 172. (c) 173. (c) 174. (c) 175. (a)
176. (b) 177. (a) 178. (b) 179. (d) 180. (c)
181. (b) 182. (c) 183. (b) 184. (a) 185. (b)
186. (b) 187. (d) 188. (a) 189. (a) 190. (c)
191. (a) 192. (d) 193. (b) 194. (d) 195. (b)
196. (d)

Unit 6: Development Experience (1947-90) & Economic Reforms since 1991

159 Questions

Questions

1. What was the nature of the Indian economy on the eve of independence?
(a) Stagnant
(b) Backward
(c) Underdeveloped
(d) All of these

2. What was the growth rate of per capita income in India on the eve of Independence (estimated by V.K.R.V. Rao)?
(a) 0.9%
(b) 0.5%
(c) 1.2%
(d) 3%

3. Where was the first iron and steel company established in India?
(a) Kolkata
(b) Jamshedpur
(c) Patna
(d) Ranchi

4. Which was the major occupation on the eve of independence?
(a) Industry
(b) Services
(c) Agriculture
(d) None of these

5. Which type of economy has resources owned privately with profit as the main objective?
(a) Capitalist
(b) Socialist
(c) Mixed
(d) Global

6. When was the National Development Council (NDC) set up as an adjunct to the Planning Commission?
(a) 1950
(b) 1969
(c) 1952
(d) 1979

7. Agriculture sector contributed approximately what percent to GDP in 1990-91?
(a) 24.6%
(b) 34.9%
(c) 40.5%
(d) 59.0%

8. How many industries were reserved for the public sector under the Industrial Policy Resolution, 1956?
(a) 17
(b) 21

(c) 15
(d) 2

9. In which year did India adopt the New Economic Policy (economic reforms)?
(a) 1991
(b) 1993
(c) 1998
(d) 2001

10. Why was there a need for economic reforms in India in 1991?
(a) Due to fiscal deficit
(b) Due to adverse BOP
(c) Rise in prices
(d) All of the above

11. When did the Gulf Crisis (contributing to the 1991 crisis) take place?
(a) 1985
(b) 1990-91
(c) 1995
(d) 1975

12. What is the main feature of the New Economic Policy (1991)?
(a) Liberalisation
(b) Privatisation
(c) Globalisation
(d) All of the above

13. When was VAT introduced in most Indian states?
(a) 1995
(b) 2001
(c) 2005
(d) 2006

14. When was the World Trade Organisation (WTO) established?
(a) 1996
(b) 1998
(c) 2000
(d) 1995

15. ____ was the predecessor organisation to the World Trade Organisation (WTO).
(a) International Monetary Fund (IMF)
(b) General Agreement on Tariffs and Trade (GATT)
(c) International Bank for Reconstruction and Development (IBRD)
(d) International Trade Organisation

16. Assertion (A): Railways brought a significant change in the structure of the Indian economy.
Reason (R): It enabled people to break geographical/cultural barriers and promoted commercialisation of agriculture.
(a) Assertion is false, Reason is true
(b) Both true, R not correct explanation
(c) Both true, R correct explanation
(d) Assertion is true, Reason is false

17. Identify which of the following was NOT a primary focus of India's Five Year Plans between 1950 and 1990.
(a) Enhancing agricultural productivity
(b) Promoting industrialization
(c) Reducing poverty and unemployment
(d) Expanding military capabilities

18. Which statement about the LPG policy introduced in India is correct?
(a) LPG aimed to increase state control over key industries
(b) LPG restricted foreign direct investment in India
(c) LPG involved deregulation of industries and reducing import tariffs
(d) LPG focused solely on agricultural reforms

19. During British regime, which of the following was NOT performed?
(a) Establishment of telephone system
(b) Establishment of Planning Commission
(c) Establishment of railways
(d) Establishment of higher educational institutions

20. ____ was the apex body that coordinates functioning of financial institutions for expansion of rural credit.
(a) NABARD
(b) Self-help group
(c) Commercial banks
(d) Regional rural banks

21. The main aim of China's 'Great Leap Forward' (GLF) was to ensure rapid increase of:
(a) Services
(b) Exports
(c) Agriculture
(d) Industries

22. Assertion (A): The economic condition of farmers under British rule improved a lot.
Reason (R): Commercialization of agriculture took place under British rule.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

23. Assertion (A): India became an exporter of primary products and importer of finished consumer and capital goods produced in Britain.
Reason (R): Restrictive colonial policies on production, trade and tariff adversely affected India's foreign trade structure.
(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

24. The main objective of the zamindars during the land settlement system was to:
(a) Improve the economic condition of the cultivators
(b) Improve crop yield through technology and fertilizers
(c) Collect rent with no interest in the cultivators' economic condition
(d) Cooperate with the colonial government to improve agriculture

25. Assertion (A): During British rule, India saw a huge drain of wealth.

Reason (R): India generated a large export surplus during the period.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

26. Assertion (A): After the 1991 New Economic Policy, domestic competition has increased.

Reason (R): Industrial sector reforms abolished industrial licensing for all projects except a short list.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

27. Assertion (A): Under Financial Sector Reforms, the financial sector was allowed to take decisions after consulting the RBI.

Reason (R): The role of RBI was reduced from regulator to facilitator of the financial sector.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

28. Assertion (A): Devaluation of the Indian rupee in 1991 resulted in inflow of foreign exchange.

Reason (R): Devaluation was a step to get more foreign investments.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

29. Assertion (A): Every year the government fixes a target for disinvestment of PSEs.

Reason (R): Disinvestment is a tool for discarding loss-incurring PSEs.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

30. Assertion (A): The 1991 New Economic Policy adopted LPG to overcome the economic crisis.

Reason (R): In 1991 India faced a crisis; foreign exchange reserves dropped to levels insufficient for even a fortnight.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

31. Assertion (A): Globalization involves creating networks and activities transcending economic, social and geographical boundaries.

Reason (R): Globalization is a strategy of developed countries to expand markets in other countries.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

32. Assertion (A): Planning was seen as a way to give the Indian economy a boost of investment and growth.

Reason (R): British rule had left the Indian economy stagnant.

(a) Both true, R correct explanation
(b) Both true, R not correct explanation
(c) A true, R false
(d) A false, R true

33. India's first official census was undertaken in:

(a) 1920
(b) 1857
(c) 1947
(d) 1881

34. Inward looking trade policy aimed at:

(a) Substituting imports with domestic production
(b) Substituting exports of consumer goods with capital goods
(c) Following an open economy model
(d) Restrictions on movement of currency flows

35. 'Designing and shaping socio-economic processes to achieve economic development' refers to:

(a) Economic Growth
(b) Economic Planning
(c) Economic Development
(d) Economic process

36. Which of the following did NOT drive the decline of India's handicrafts industry under colonial rule?

(a) High tariff on export of raw materials from India
(b) High tariff on import of British goods into India
(c) Heavy duties on Indian handicraft exports
(d) All of the above contributed

37. How much loan did the World Bank and IMF provide during the nineties to bail India out of the crisis?

(a) $10 million
(b) $10 billion
(c) $7 billion
(d) $20 billion

38. For how many industries is licensing still necessary post-reforms?

(a) 7
(b) 6
(c) 9
(d) 10

39. How many industries are entirely reserved for the public sector post-reforms?

(a) 6
(b) 10
(c) 2
(d) 4

40. Statement(1): Both India and China initiated industrial reforms with the creation of agricultural communes.
Statement(2): Both countries are primarily agrarian, with all sectors depending on the primary one.

(a) Both correct
(b) Both incorrect
(c) Statement 1 correct, 2 incorrect

(d) Statement 2 correct, 1 incorrect

41. Statement(1): Air India, a fully-owned PSU, was disinvested and sold to a private entity.
Statement(2): PSUs are sold to create more direct/indirect employment opportunities.

(a) Both correct
(b) Both incorrect
(c) Statement 1 correct, 2 incorrect
(d) Statement 2 correct, 1 incorrect

42. Identify which of the following indicates the adverse impact of British rule in India.

(a) Introduction of communication networks in India
(b) Change in composition of India's foreign trade
(c) Introduction of modern administrative system in India
(d) Introduction of railways in India

43. Statement 1: Commercialization of agriculture under British rule was responsible for frequent famines between 1875 and 1900.
Statement 2: During British rule, India began to export food grains.

(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both statements true
(d) Both statements false

44. Statement 1: Under colonial rule, basic infrastructure (railways, post and telegraph) was developed.
Statement 2: The real motive behind infrastructural development was to strengthen British interests.

(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both statements true
(d) Both statements false

45. Statement 1: British policies led to the collapse of India's world-famous handicraft industries.
Statement 2: During colonial rule, the industrial sector's contribution to GVA increased significantly.

(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both statements true
(d) Both statements false

46. The opening of the Suez Canal in 1869, used as a highway between India and Britain:

(a) Further intensified British control over India's foreign trade
(b) Reduced the cost of transportation
(c) Made access to the Indian market easier
(d) All of the above

47. Identify the INCORRECT statement about the Indian economy 1950-90.

(a) Import substitution was the strategy used to save foreign exchange
(b) License policy ensured regional equality
(c) The Russian economic model was the base for the Indian economic system
(d) Small Scale Industries are an essential tool for employment generation

48. The shackles of agriculture during the colonial rule were permanently broken by the Green Revolution, which resulted from the application of:
I) High Yielding Varieties (HYV) II) Mechanization of Agriculture III) Chemical Fertilizers and Pesticides IV) Organic Fertilizers and Pesticides

(a) I, II, IV
(b) I, II, III
(c) II, III, IV
(d) I, III, IV

49. Identify the correct combination of the Goals of Indian Five-Year Plans:
(a) Growth, Equality, Modernisation, Self-Reliance
(b) Development, Equality, Modernisation, Sustainability
(c) Good Health, Education, Modernisation, Sustainability
(d) Growth, Equity, Modernisation, Self-Reliance

50. The Green Revolution led to:
(a) Attainment of marketable surplus
(b) Buffer stock of food grains
(c) Benefit to low-income groups
(d) All of the above

51. Identify which of the following statements is INCORRECT about the financial sector reforms introduced in 1991.
(a) Enabled the establishment of private sector banks, Indian as well as foreign
(b) Foreign investment limit in banks was raised to around 74%
(c) Foreign Institutional Investors were allowed to invest in Indian financial markets
(d) Change in the role of RBI from facilitator to regulator

52. Assertion (A): The excessive regulation of the permit license raj prevented certain private firms from becoming fairly competitive.
Reason (R): The private sector wasted huge amounts obtaining licenses rather than improving product quality and international competitiveness.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

53. Assertion (A): The WTO is expected to establish a rule-based trading regime, avoiding unilaterally placed arbitrary restrictions by member nations.
Reason (R): It is imperative to enlarge world production and ensure optimum utilization of world resources along with environmental protection.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

54. Identify the element which is NOT related with the Green Revolution.
(a) Improved seeds
(b) Fertilizers
(c) New strategy for agriculture
(d) Increase in population

55. Which of the following was NOT a reason for the public sector to play a major role in the initial phase of Indian economic planning?
(a) Lack of sufficient capital for investment with private entrepreneurs
(b) Government aimed for social welfare
(c) The market was big enough to encourage private industrialists for investment

(d) The government wanted to protect domestic producers from foreign competition

56. 'Mechanisation of Indian agriculture was one of the causes of the Green Revolution in India.' The given statement is:

(a) True
(b) False
(c) Partially true
(d) Partially false

57. ____ implies setting up an upper limit on the land that could be owned by a land owner.

(a) Land ceiling
(b) Land fragmentation
(c) Land quota
(d) Land restriction

58. Which sector received the top most priority in the First Five Year Plan in India?

(a) Secondary
(b) Service
(c) Agriculture
(d) All sectors

59. 'After independence, many political leaders favoured capitalism for India.' The given statement is:

(a) True
(b) False
(c) Partially true
(d) Can't comment

60. Which one is the primary objective of economic planning in the context of India?

(a) Balanced regional development
(b) Reduction in poverty
(c) Growth with social justice
(d) Reducing inflation

61. Post-independence, India has always focused on becoming a self-sufficient or self-reliant nation. In the present era, this goal has been termed as:

(a) Safal Bharat
(b) Kaushal Bharat
(c) Atmanirbhar Bharat
(d) Apna Bharat

62. Which of the following is INCORRECT with regard to the goals of the Five Year Plans in India?

(a) An increase in the country's production capacity
(b) Change in the socio-economic outlook
(c) Building an industrial economy with widening wage-parities
(d) Ensuring the fruits of development are reaped by all

63. Land reform measures were successful in which of the given states?

(a) Punjab and Haryana
(b) Maharashtra and West Bengal
(c) Uttar Pradesh and Madhya Pradesh
(d) Kerala and West Bengal

64. Arrange the following events in chronological order:

(i) Introduction of the second phase of the Green Revolution
(ii) Setting up of the Karve Committee for encouraging rural development
(iii) Setting up of the Planning Commission
(iv) Introduction of the New Economic Policy

(a) iii, iv, i, ii
(b) i, ii, iii, iv
(c) iv, ii, iii, i
(d) iii, ii, i, iv

65. 'Achieved growth rate has always been higher than the expected growth rate during 1950-1990.' The given statement is:

(a) True
(b) False
(c) Partially true
(d) Can't say

66. What is needed to provide protection against natural calamities like floods, drought, locusts, thunderstorms etc.?

(a) Multiple cropping
(b) Green revolution
(c) Crop insurance
(d) Terrace cropping

67. Statement 1: Over the years, the Indian Government has increased its stake in several public enterprises.
Statement 2: Privatization implies a greater role for the private sector in the economic activities of the country.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true but Statement 2 is false
(d) Statement 1 is false but Statement 2 is true

68. Statement 1: Goods and Services Tax is a direct tax.
Statement 2: GST is levied on goods and services.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true but Statement 2 is false
(d) Statement 1 is false but Statement 2 is true

69. Statement 1: The process of Globalization has produced only positive results for India.
Statement 2: Market-driven globalization reduces the economic disparities among nations and people.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true but Statement 2 is false
(d) Statement 1 is false but Statement 2 is true

70. Statement 1: Under the New Economic Policy, quantitative restrictions on imports and exports were greatly reduced.
Statement 2: Import duties were considerably increased in the New Economic Policy to improve the competitiveness of domestic industries.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true but Statement 2 is false
(d) Statement 1 is false but Statement 2 is true

71. Which of the following statements correctly represents actions taken by the government towards liberalization?
P: Levying high tariffs to discourage imports and promote domestic goods.
Q: Devaluation of the rupee to encourage inflow of foreign exchange.
R: Allowing private banks to make decisions independent of RBI restrictions.
S: Fixing prices of certain industrial goods to support increased consumption.

(a) P and Q only
(b) P and R only
(c) Q and R only
(d) Q and S only

72. Which of the following is NOT a reason for the introduction of economic reforms in 1991?

(a) Decrease in foreign exchange reserves
(b) High rate of inflation
(c) Balance of Payment crisis
(d) Increase in exports

73. In order to mark the end of the 'license raj', which measure(s) were taken by the Government of India?

(a) Only Liberalization
(b) Only Privatization
(c) Both Liberalization and Disinvestment
(d) Liberalization, Privatization and Globalization

74. Privatization of public sector enterprises implies:

(a) Strategic Sales
(b) Sale of private companies
(c) Minority sales
(d) Both Strategic Sales and Minority sales

75. Statement 1: Economic reforms of 1991 created a growth path where all the sectors did not grow at the same pace.
Statement 2: The agriculture sector, after the introduction of the 1991 economic reforms, experienced accelerating growth rate.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true but Statement 2 is false
(d) Statement 2 is true but Statement 1 is false

76. Statement 1: Structural reforms aimed at improving the efficiency of the economy and increasing its international competitiveness.
Statement 2: Structural reforms are short-term measures intended to correct weaknesses of the economy.

(a) Both statements are true
(b) Both statements are false
(c) Statement 1 is true but Statement 2 is false
(d) Statement 2 is true but Statement 1 is false

77. It refers to contracting out some of an organization's activities to a third party which were earlier performed by the organization itself:

(a) Outsourcing
(b) Globalization
(c) Privatization
(d) Liberalization

78. Who was the Indian Finance Minister in 1991, acknowledged for his capabilities to steer away the economic crisis looming large on the Indian economy?

(a) Dr. Subramanian Swamy
(b) Dr. Manmohan Singh
(c) Pranab Mukherjee
(d) Dr. Urjit Patel

79. Which of the following currency notes are NOT in circulation post-demonetization?

(a) ₹500
(b) ₹1000
(c) ₹2000
(d) ₹100

80. Who is the chairman of the GST Council?

(a) Prime Minister
(b) Finance Secretary
(c) Finance Minister
(d) President

81. Cheaper imported goods were one of the reasons behind:

(a) Growing unemployment
(b) Unbalanced Growth
(c) Low level of industrial growth
(d) Spread of Consumerism

82. The final burden of Goods and Services Tax is:

(a) Borne by Producer
(b) Borne by Seller
(c) Borne by Government
(d) Borne by Final user

83. Demonetization does NOT target:

(a) Tax administration
(b) Cashless economy
(c) Credit creation
(d) Encouragement to black money

84. How can 'Globalization' increase the standard of living of the people in a country?

(a) By offering more products to buy
(b) By increasing rural to urban migration
(c) By improving working conditions for factory workers
(d) By making cheaper products available due to increased competition

85. Which of the following policies was adopted to increase the competitive position of Indian goods in international markets?

(a) Export duties were removed
(b) Import licensing was abolished
(c) The rate of corporation tax was reduced
(d) Foreign institutional investors were allowed to invest in India

86. Which policy measure was undertaken under globalization?

(a) Devaluation of rupee
(b) Reduction in direct tax

(c) Increase in indirect tax
(d) Cashless economy

87. Outsourcing has intensified in present times because of the growth of the ____ sector.
(a) Agriculture
(b) Information Technology
(c) Manufacturing
(d) Primary

88. Which of the following statements is true about the occupational structure of the Indian economy during British rule?
(a) The occupational structure was stagnant
(b) The occupational structure was underdeveloped
(c) The occupational structure was both stagnant and underdeveloped
(d) The occupational structure was developed

89. Which of the following statements reflects the condition of the agricultural sector in India during British rule?
(a) The agricultural sector experienced stagnation and deterioration because of the drain of India's wealth
(b) The agricultural sector experienced stagnation and deterioration because of the land tenure system
(c) The agricultural sector experienced stagnation and deterioration because of the decline of handicrafts
(d) None of the above

90. Which of the following industries were operating in the Indian economy on the eve of its independence?
(a) Sugar, paper and cement industries
(b) Iron and steel industries
(c) Jute textile and cotton industries
(d) All of the above

91. Which of the following services was totally inadequate during British rule in India?
(a) Law and order, railways and ports
(b) Postal services
(c) Railways and ports
(d) None of the above

92. Statement 1: The most important characteristic of India's foreign trade throughout the colonial period was the generation of a large export surplus.
Statement 2: This export surplus resulted in flow of gold or silver into India.
(a) Statement 1 is true and Statement 2 is false
(b) Statement 1 is false and Statement 2 is true
(c) Both statements are true
(d) Both statements are false

93. Statement 1: British policies were accountable for the commercialisation of Indian agriculture.
Statement 2: In the larger interest of Indians, the British rulers focused on the infrastructural growth of India.
(a) Statement 1 is true and Statement 2 is false
(b) Statement 1 is false and Statement 2 is true
(c) Both statements are true
(d) Both statements are false

94. Assertion (A): The year 1921 is called the Year of the Great Divide.
Reason (R): After the year 1921, India experienced a sharp rise in its population growth rate.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A

(c) A is true but R is false
(d) A is false but R is true

95. Study the image showing a factory producing goods domestically that were earlier imported. Identify the trade practice illustrated.

(a) Export Promotion
(b) Export Substitution
(c) Import Proliferation
(d) Import Substitution

96. Assertion (A): India could not develop a sound industrial base during British rule.
Reason (R): The British followed restrictive trade policies, which led to the rise of Indian handicraft industries.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

97. Assertion (A): The Zamindars were declared as owners of the soil; they were supposed to pay a fixed sum to the government while they could extract as much as they wanted from the actual tillers of the soil.
Reason (R): Agriculture was exploited through the Zamindari system of Land Revenue.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

98. Assertion (A): More than half of India's foreign trade was restricted to Britain.
Reason (R): Britain maintained monopoly control on India's imports and exports.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

99. Assertion (A): The construction of railways led to huge economic losses to the Indian economy.
Reason (R): It enhanced commercialization of Indian agriculture, which adversely affected the comparative self-sufficiency of the village economies in India.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

100. Assertion (A): Indian agriculture sector suffered due to partition.
Reason (R): A sizeable proportion of the undivided country's highly irrigated and fertile land went to Pakistan.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

101. Statement 1: On the eve of independence, nearly 72% of the working population was engaged in agriculture.
Statement 2: Agriculture's contribution to GDP was nearly 75%.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false

(d) Statement 2 is true and Statement 1 is false

102. Statement 1: On the eve of independence, the Infant Mortality Rate was 218 per thousand.
Statement 2: The literacy rate in India on the eve of independence was 16 percent.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

103. Assertion (A): Growth and social justice is the central objective of Indian plans.
Reason (R): India opted for planning to utilize available resources efficiently and to establish social justice.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

104. Assertion (A): The industries became more diversified during 1950-90 as compared to the situation at the time of independence.
Reason (R): Excessive government regulation prevented industrial growth during this period.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

105. Assertion (A): Economic planning rules out the free play of market forces.
Reason (R): It does not rule out the free play of market forces; rather, it is dependent on the model of economic planning.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

106. Assertion (A): Modernization includes the adaptation of technology and a change in social outlook.
Reason (R): Modernization raises the standard of living of people.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

107. Statement 1: Commercialisation of agriculture was coercively introduced by the British.
Statement 2: The aim of commercialisation of agriculture was to support British industries.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

108. Statement 1: The objective of modernisation has helped in setting up various types of technology-oriented industries.
Statement 2: Modernisation refers to the change in technology along with a positive change in the social outlook of the people.

(a) Both the statements are true
(b) Both the statements are false

(c) Statement 1 is true and Statement 2 is false
(d) Statement 2 is true and Statement 1 is false

109. Which of the following statements was/were part of the strategy of the colonial government regarding Indian industry?

i) The intention was to turn India into a market for raw materials from other colonies of the British.

ii) It wanted India to become an exporter of its unique handicrafts cheaply to Britain and its colonies.

(a) Both are correct
(b) Both are incorrect
(c) (i) is correct
(d) (ii) is correct

110. Who among the following benefits from agricultural subsidies?

1. The fertilizer industry
2. The farmers in the more prosperous regions
3. The government
4. Farmers using the new HYV technology

Select the correct answer using the codes given below:

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1, 2 and 4 only
(d) 1, 2, 3 and 4

111. Assertion (A): In the first seven five year plans of India, the trade strategy was commonly called an 'inward looking' trade strategy.

Reason (R): Imports were protected by the imposition of tariffs and quotas which protect the domestic firms from foreign competition.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

112. Assertion (A): The industrial sector reforms implemented under liberalisation policies led to an increase in Foreign Direct Investment in the manufacturing sector.

Reason (R): Liberalisation policies aimed to toughen trade barriers, regulate industries, and provide a conducive environment for indigenous investors, making the manufacturing sector more attractive for FDI.

(a) The assertion is true, but the reason is false
(b) The assertion is false, but the reason is true
(c) Both the assertion and reason are true, but the reason is not the correct explanation of the assertion
(d) Both the assertion and reason are true, and the reason is the correct explanation of the assertion

113. Consider the statements:

i) Capital goods industry means industries which produce goods like machines and industrial plants used for further industrialisation.

ii) A large number of capital goods industries came up in the second half of the nineteenth century.

Which of the above statement(s) is/are incorrect?

(a) Only (i)
(b) Only (ii)
(c) Both (i) and (ii)
(d) Neither (i) nor (ii)

114. Assertion (A): Under the New Economic Policy, more reliance was placed on market forces.

Reason (R): Excessive government control led to the rise of corruption, undue delay and inefficiency.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

115. Assertion (A): India is emerging as an important external source (of outsourcing) for the world.
Reason (R): India provides an abundant supply of labor at low wage rates.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

116. Assertion (A): After liberalisation, tax evasion has come down due to reduction in tax rates.
Reason (R): Lower tax rate leads to tax-compliance, and hence more tax revenue is generated for the government.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

117. Assertion (A): Under the new economic policy, the role of RBI has changed from a facilitator to a regulator.
Reason (R): Now the interest rate structure, size and pattern of investment is determined by market forces.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

118. Assertion (A): The government has decided to develop Navratnas as international level industries in their respective areas of industrialisation.
Reason (R): Navratnas were highly efficient profit-making public enterprises and income generators for the government.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

119. Read the following statements- Assertion (A) and Reason (R). Choose the correct alternative given below: Assertion (A): The excessive regulation of permit license raj prevented certain private firms from becoming fairly competitive. Reason (R): Private sector wasted huge amounts in obtaining licenses rather than on improving the product quality and international competitiveness.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

120. Read the following statements carefully: Statement 1: Under the colonial rule, basic infrastructure (like railways, post and telegraph etc.) was developed. Statement 2: The real motive behind the infrastructural development in India was to strengthen the British interests. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

121. Economic reforms were introduced in India and Pakistan in the years ____ and ____, respectively. (Choose the correct alternative to fill in the blanks)

(a) 1988, 1978
(b) 1991, 1978
(c) 1991, 1988
(d) 1981, 1991

122. During the British rule, India's foreign trade had various features except____. (Choose the correct alternative to fill in the blank)

(a) Restrictive policies of commodity production, trade and tariff
(b) British monopoly over India's exports and imports
(c) Free trade from India to the rest of the world
(d) Large export surplus

123. Modernization is an important economic planning objective that focuses on ____. (Choose the correct alternative to fill in the blank) (i) Adoption of innovative technology (ii) Equal distribution of income and wealth (iii) Bringing positive changes in the social outlook

(a) Only (i)
(b) (i) and (ii)
(c) (i) and (iii)
(d) (i), (ii) and (iii)

124. The present day rapid industrial growth in China can be traced back to the economic reforms introduced in 1978, where____. (Choose the correct alternative to fill in the blank) (i) initially reforms were initiated in agriculture, foreign trade and investment sectors (ii) the policy of dual pricing was adopted (iii) the Government revoked the policy of Special Economic Zones

(a) Only (i)
(b) only (ii)
(c) (i) and (ii)
(d) (i), (ii) and (iii)

125. After the implementation of economic reforms, Pakistan experienced slowdown of growth due to various reasons including ____. (Choose the correct alternative to fill in the blank) (i) Volatile performance of the agriculture sector (ii) Over-dependence on remittances from abroad (iii) Political instability

(a) (i) and (ii)
(b) (ii) and (iii)
(c) (i), (ii) and (iii)
(d) (i) and (iii)

126. Read the following statements carefully: Statement 1: Land ceiling was one of the Government policies to promote equity in the agriculture sector. Statement 2: Land reforms resulted in abolition of the Zamindari system in the post independence period. In light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

127. Under the British Rule, commercialization of agriculture resulted in shifting of agricultural production from____ crops to ____crops. (Fill up the blanks with correct alternative.)

(a) Cash, Food
(b) Cotton, Jute
(c) Food, Cash
(d) Jute, Food

128. Economic reforms were introduced in the year____ in India and in the year ____in Pakistan. (Fill up the blanks with correct alternative.)

(a) 1978, 1988
(b) 1988, 1978
(c) 1978, 1991
(d) 1991, 1988

129. After independence, the rationale behind choosing Modernization as a planning objectives for the Indian economy were ____. I. To bring positive changes in the social outlook II. Equitable distribution of income III. Technological Upgradation IV. Increase in Economic Divide

(a) I and II
(b) II and III
(c) I and III
(d) l and IV

130. Read the following statements carefully: Statement 1: Outsourcing is one of the important outcome of globalization process. Statement 2: Owing to globalization, many Indian companies have expanded their operation abroad. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both statement 1 and 2 are true.
(d) Both statement 1 and 2 are false.

131. Introduction of Economic Reforms in Pakistan took place in year____. (Fill up the blank with correct alternative.)

(a) 1978
(b) 1980
(c) 1988
(d) 1991

132. Identify the correct statement from the following:

(a) India adopted the socialistic economic system after Independence.
(b) Indian economic planning was implemented through Five Year Plans.
(c) Land reforms under industrial sector were implemented by the Government of India.
(d) Policy initiatives in the industrial sector were responsible for decline in Gross Domestic Product (GDP) in India.

133. Read the following statements carefully : Statement 1: The commercialisation of Indian agriculture was coercively introduced by the colonial government. Statement 2: Britishers had a two-fold motive behind the enforcement of food crops production. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

134. From the terms given below in Column-I and Column-II, choose the correct pair of statements: Column-I Column-II (i) Subsidies (a) Maximum quantity of goods that can be imported (ii) Land ceiling (b) Element of IPR 1956 (iii) Small Scale Industries (c) Land to the tiller (iv) Modernisation as a goal (d) Change in social outlook of five year plan Options:

(a) (i) -- (a)
(b) (ii) -- (b)
(c) (iii) -- (c)

(d) (iv) -- (d)

135. Study the following image carefully: Identify, the trade practice that has successfully replaced foreign goods with domestic production. Options:

(a) Export Promotion
(b) Export Substitution
(c) Import Proliferation
(d) Import Substitution

136. Read the following statements carefully: Statement 1: The British policies were accountable for commercialisation of Indian agriculture. Statement 2: In the larger interest of Indians, the British rulers focused on the infrastructural growth of India. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

137. Identify, which of the following does not indicate the similarities in the policies of India and Pakistan in the post 1947 period.

(a) Dual pricing policy
(b) Green revolution
(c) Import substitution
(d) Mixed economic system

138. In the post-independence era, the policy makers of India pushed for 'self-reliance' for the first ____ Five Year Plans. (Choose the correct option to fill in the blank)

(a) 8
(b) 7
(c) 6
(d) 5

139. Identify, which of the following correctly defines liberalization. (Choose the correct option)

(a) Outright sale of part of shares of Public Sector Undertakings (PSUs)
(b) Increased integration with the rest of the world
(c) Removal of restrictions imposed by government on different sectors of the economy
(d) Focus on import substitution

140. Outsourcing from India has become more intensified in recent times due to the expansion of the ____ sector. (Choose the correct option to fill in the blank)

(a) Agriculture
(b) Manufacturing
(c) Information Technology
(d) Construction

141. ____ implies shedding of the ownership or management of a government owned enterprise. (Choose the correct alternative to fill in the blank)

(a) Liberalisation
(b) Privatisation
(c) Globalisation
(d) Nationalisation

142. Read the following statements carefully: Statement 1: During the British rule in India, the export surplus was utilised to import of invisible items from Britain. Statement 2: Indians paid for the expenses incurred by an office set

up by the colonial government in Britain. In the light of above statements, choose the correct option from the following:

(a) Statement 1 is true and statement 2 is false.
(b) Statement 1 is false and statement 2 is true.
(c) Both statements 1 and 2 are true.
(d) Both statements 1 and 2 are false.

143. ____ estimates India's national and per capita income during the colonial era was considered very significant. (Choose the correct option to fill in the blank) Options:

(a) William Digby
(b) V.K.R.V. Rao
(c) Findlay Shirras
(d) R.C. Desai

144. Growth of rural economy depends primarily on infusion of ____ to realise higher productivity in agricultural and non-agricultural sectors. (Choose the correct option to fill in the blank)

(a) Capital
(b) Road Construction
(c) Green status
(d) Outsourcing

145. Arrange the following events of Pakistan in correct chronological order : I. Nationalisation of capital goods industries II. Establishment of Pakistan III. Introduction of economic reforms IV. Announcement of First Five Year Plan (Choose the correct option) Options :

(a) III, IV, I, II
(b) III, II, I, IV
(c) IV, III, II, I
(d) II, IV, I, III

146. The primary outcome of the efforts initiated by the Indian Government (Liberalisation and Privatisation) under the New Economic Policy of 1991 was ____. (Choose the correct option to fill in the blank) Options :

(a) Fiscal policy reforms
(b) Globalization
(c) Monetary policy reforms
(d) Reservation of products

147. Identify the incorrect statement from the following.

(a) Expansion of rural credit has helped the Indian farmers to increase their production and productivity.
(b) The expansion and promotion of the rural banking sector has taken a backseat after the economic reforms.
(c) It is an accepted fact that if, farmers sell their produce directly to consumers, their profitability increases.
(d) Farmers who have the required information on prevailing prices often sell their produce at low prices.

148. Read the following statements carefully: Statement I: The colonial government had dual objectives behind the systematic deindustrialization of India. Statement II: The British reduced India to a mere importer of raw materials for the its modern industries. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

149. ____ was set up by the Government of India in 1950 to formulate plans for the most effective and balanced utilisation of resources. (Choose the correct option to fill in the blank)

(a) NITI Aayog

(b) Planning Commission
(c) Karve Committee
(d) World Trade Organisation

150. The export surplus during the colonial rule was used by the Britishers to ____. (i) Bring gold and silver to India (ii) Incur expenses on war (iii) Import invisible items (Choose the correct option to fill in the blank) Options:
(a) Only (i)
(b) (i) and (ii)
(c) (i) and (iii)
(d) (ii) and (iii)

151. Indian producers were protected against foreign competition which did not give them the incentive to improve the quality of goods that they produced. Identify the policy referred to: (Choose the correct option)
(a) Industrial Policy Resolution, 1948
(b) Policy to promote small-scale industries
(c) Import substitution policy
(d) Licencing policy

152. Read the following statements carefully: Statement I: Prasanta Chandra Mahalanobis is known as the architect of Indian planning. Statement II: The Industrial Policy Resolution of 1948 was adopted to ensure that the state takes the dominating status in the economy. In the light of the given statements, choose the correct option from the following:
(a) Both Statements I and II are true.
(b) Both Statements I and II are false.
(c) Statement I is true, but Statement II is false.
(d) Statement I is false, but Statement II is true.

153. ____ of agriculture refers to production of crops for sale in the open market rather than for self consumption purpose.
(a) Commercialisation
(b) Diversification
(c) Digitisation
(d) Modernisation

154. Read the following statements -- Assertion (A) and Reason (R) carefully. Choose the correct alternative from those given below: Assertion (A): The year 1921 is called as the Year of Great Divide. Reason (R): After the year 1921, India experienced a sharp rise in its population growth rate. Options:
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

155. The geographical areas in which specific laws are applied to encourage foreign investments are known as ____. (Choose the correct alternative to fill in the blank)
(a) European Union
(b) G-7
(c) G-20
(d) Special Economic Zones

156. Read the following text carefully: "In the recent times, the Government of India, has introduced several measures to encourage greater public participation in the capital market, including both primary and secondary stock markets." Under which sector have the above mentioned reforms been introduced? (Choose the correct option) Options:
(a) Industrial

(b) Financial
(c) Taxation
(d) Foreign Trade

157. "In the formative stages of reforms development of credit markets, administrative intervention in interest rates is both necessary and desirable." Identify the sector under which the aforesaid reform was introduced. (Choose the correct option) Options:

(a) Tax reforms
(b) Industrial sector reforms
(c) Financial sector reforms
(d) Foreign sector reforms

158. Read the following statements carefully: Statement I: Inland waterways proved to be uneconomical as in the case of Coast Canal on the Orissa coast. Statement II: British government followed an effective and efficient administrative set- up leaving a legacy of effective work culture. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

159. ____ was the successor organisation to General Agreement on Trade and Tariff (GATT). (Choose the correct option to fill in the blank)

(a) International Bank for Reconstruction and Development (IBRD)
(b) International Monetary Fund (IMF)
(c) Reserve Bank of India (RBI)
(d) World Trade Organisation (WTO)

Answer Key

1. (d) 2. (b) 3. (b) 4. (c) 5. (a)
6. (c) 7. (c) 8. (a) 9. (a) 10. (d)
11. (b) 12. (d) 13. (c) 14. (d) 15. (b)
16. (c) 17. (d) 18. (c) 19. (b) 20. (a)
21. (d) 22. (d) 23. (a) 24. (c) 25. (a)
26. (a) 27. (d) 28. (b) 29. (b) 30. (a)
31. (b) 32. (a) 33. (d) 34. (a) 35. (b)
36. (b) 37. (c) 38. (a) 39. (c) 40. (b)
41. (c) 42. (b) 43. (c) 44. (c) 45. (a)
46. (d) 47. (c) 48. (b) 49. (d) 50. (d)
51. (d) 52. (a) 53. (a) 54. (d) 55. (c)
56. (a) 57. (a) 58. (c) 59. (b) 60. (c)
61. (c) 62. (c) 63. (d) 64. (d) 65. (b)
66. (c) 67. (d) 68. (d) 69. (b) 70. (c)
71. (c) 72. (d) 73. (d) 74. (d) 75. (c)
76. (c) 77. (a) 78. (b) 79. (b) 80. (c)
81. (d) 82. (d) 83. (c) 84. (d) 85. (a)
86. (a) 87. (b) 88. (c) 89. (b) 90. (d)
91. (b) 92. (a) 93. (a) 94. (a) 95. (d)
96. (c) 97. (a) 98. (a) 99. (b) 100. (a)
101. (c) 102. (a) 103. (a) 104. (b) 105. (d)
106. (b) 107. (a) 108. (a) 109. (b) 110. (c)
111. (a) 112. (a) 113. (b) 114. (a) 115. (a)
116. (a) 117. (d) 118. (a) 119. (a) 120. (c)
121. (c) 122. (c) 123. (c) 124. (c) 125. (c)
126. (c) 127. (c) 128. (d) 129. (c) 130. (c)
131. (c) 132. (b) 133. (a) 134. (d) 135. (d)
136. (a) 137. (a) 138. (b) 139. (c) 140. (c)
141. (b) 142. (c) 143. (b) 144. (a) 145. (d)
146. (b) 147. (d) 148. (a) 149. (b) 150. (d)
151. (c) 152. (c) 153. (a) 154. (a) 155. (d)
156. (b) 157. (c) 158. (a) 159. (d)

Unit 7: Current Challenges Facing Indian Economy

203 Questions

Questions

1. Which is considered a problem of Human Capital formation in India?

(a) Decreasing population
(b) High academic level
(c) Brain drain
(d) Gender equality

2. A kind of unemployment where workers seem to be working but their contribution to production is negligible is called:

(a) Disguised Unemployment
(b) Educated Unemployment
(c) Seasonal Unemployment
(d) Industrial Unemployment

3. According to the nature of employment, a large part of labour in India is:

(a) Casual worker
(b) Self-employed worker
(c) Regular wage earner
(d) None of the above

4. Statement 1: Expenditure on education is the most effective way of enhancing the productive workforce.
Statement 2: Monetary benefits of education far exceed its cost.

(a) Both true
(b) Statement 1 true, 2 false
(c) Both false
(d) Statement 2 true, 1 false

5. Assertion (A): Lack of education leads to massive usage of renewable and non-renewable energy sources.
Reason (R): Due to illiteracy, people don't realize the importance of environmental resources.

(a) A false, R true
(b) Both true, R correct explanation
(c) Both true, R not correct explanation
(d) A true, R false

6. Assertion (A): Rural banks face cash crunch due to high default rates on farm loans.
Reason (R): Lack of proper storage facilities wastes a lot of farm produce.

(a) Both true, R correct explanation
(b) A true, R false
(c) Both true, R not correct explanation
(d) A false, R true

7. According to latest reports, India's HDI rank (relative to China and Pakistan) is:

(a) 130
(b) 150
(c) 86
(d) None of the above

8. 'A richer country lends to poorer resource-rich countries, overwhelming them with unsustainable debt, leading them to give up strategic assets.' This is called:

(a) Closed door policy
(b) Import substitution strategy
(c) Debt trap diplomacy
(d) Inward looking strategy

9. Which is NOT a characteristic of renewable resources?

(a) Includes sunlight, wind, water etc.
(b) Upfront cost is high
(c) Cannot deplete over time
(d) Involves higher carbon footprint and emissions

10. Dr M.S. Swaminathan initiated which great change in India?

(a) Five Year Plans
(b) Operation Flood
(c) Golden Revolution
(d) Green Revolution

11. Which is NOT a reason for India approaching the World Bank for a loan (in the reform context)?

(a) Upgrading of India's credit rating
(b) Drastic reduction in foreign exchange reserves
(c) Political instability
(d) Fall in confidence of external investors

12. Statement 1: Physical capital is tangible.
Statement 2: Both physical and human capital depreciate with time.

(a) Statement 1 true, 2 false
(b) Both false
(c) Both true
(d) Statement 2 true, 1 false

13. Assertion: Organic produce has a longer shelf life.
Reason: Yields from organic farming are less than modern agricultural farming.

(a) A true, R false
(b) Both true, R correct explanation
(c) A false, R true
(d) Both true, R not correct explanation

14. Identify the incorrect statement about India's workforce.
A. Casual wage labourers form the majority of the workforce
B. Male-female participation gap is higher in rural areas
C. Primary sector is the main source of employment
D. Distribution has shifted substantially from farm to non-farm work

(a) Both A and B
(b) Both A and D
(c) Both C and D
(d) Only A

15. 'A richer country lends to poorer, strategically placed countries, overwhelming them with debt' — this term is:

(a) Closed door policy
(b) Debt trap diplomacy

(c) Import substitution strategy
(d) Inward looking strategy

16. Increase in the proportion of casual workers as a proportion of total workforce is known as:
(a) Formalisation
(b) None of the above
(c) Casualisation
(d) Employment elasticity of growth

17. Which measure does NOT come under an improved agricultural marketing system?
(a) Regulation of markets for orderly and transparent marketing
(b) Cooperative marketing for fair prices to farmers
(c) Assurance of MSP, food through PDS, and buffer stocks
(d) All of the above are included

18. Statement I: There is a need for the owner of human capital to be present at the place of production.
Statement II: Human capital is intangible; it is endogenously built in the body and mind of its owner.
(a) Both true
(b) Statement I true, II false
(c) Both false
(d) Statement II true, I false

19. Statement I: Education is a wider concept and encompasses literacy.
Statement II: A person is literate if able to read and write; educated if he/she can find work and earn income.
(a) Both false
(b) Statement II true, I false
(c) Statement I true, II false
(d) Both true

20. Agricultural marketing does NOT comprise of:
(a) Credit taken to meet expenditure on cultivation
(b) Transportation of produce to the market
(c) Storage of produce for future sale
(d) Grading of produce according to quality

21. According to the theory of Keynesian Economics, the Average Propensity to Consume (APC) can never be:
(a) Positive
(b) Zero
(c) Negative
(d) Greater than one

22. Statement I: Self Help Groups (SHGs) emerged to fill the gap in the formal credit system.
Statement II: Formal credit in India is inadequate and not fully integrated with rural community development.
(a) Both false
(b) Statement I false, II true
(c) Both true
(d) Statement I true, II false

23. Which factor is NOT considered while constructing the HDI Index?
(a) Knowledge measured by adult literacy rate
(b) A decent standard of living measured by GDP per capita
(c) A good environment measured by environment policies per capita
(d) Long and healthy life measured by life expectancy

24. An adulterated element that leaks into ground filtration and reaches a groundwater reservoir is:
(a) Water pollution
(b) Noise pollution
(c) Air pollution
(d) Land contamination

25. After mining activity, huge holes left behind are used for:
(a) Wastewater storage
(b) Waste and water storage
(c) Waste disposal
(d) Waste storage

26. 'Government of India is giving incentives for exports.' The likely effect on the foreign exchange rate is:
(a) Higher equilibrium rate, leading to depreciation of domestic currency
(b) Higher equilibrium rate, leading to devaluation of domestic currency
(c) Lower equilibrium rate, leading to revaluation of domestic currency
(d) Lower equilibrium rate, leading to appreciation of domestic currency

27. According to nature of employment, which type of labour is predominant in India?
(a) Casual worker
(b) Self-employed worker
(c) Regular wage earner
(d) None of the above

28. 'A kind of unemployment where workers appear to be working but their contribution is negligible' is called:
(a) Disguised Unemployment
(b) Educated Unemployment
(c) Seasonal Unemployment
(d) Industrial Unemployment

29. Which institutes come under the health sector (from a listed group of bodies)?
(a) NCERT
(b) UGC
(c) AICTE
(d) ICMR

30. Which is NOT an indicator of education level?
(a) Years of schooling
(b) Life expectancy
(c) Teacher-pupil ratio
(d) Enrollment rate

31. Which level of education takes the major share of total education expenditure in India?
(a) Elementary
(b) Secondary
(c) Higher
(d) Tertiary

32. Match: (i) Preventive medicine (ii) Curative medicine (iii) Social medicine — with (A) medical intervention during illness (B) vaccination (C) spread of health literacy. Correct pairing:
(a) (i)-B, (ii)-A, (iii)-C
(b) (i)-A, (ii)-B, (iii)-C
(c) (i)-C, (ii)-B, (iii)-A

(d) (i)-B, (ii)-C, (iii)-A

33. Statement 1: On-the-job training helps bridge a gap between theory and practice.
Statement 2: On-the-job training updates employees with the latest changes in their field.

(a) Both true
(b) Both false
(c) Statement 1 true, 2 false
(d) Statement 2 true, 1 false

34. Statement 1: Jobless growth has been a significant challenge in the Indian economy in recent years.
Statement 2: Despite economic growth, India has struggled to create sufficient employment.

(a) Both true
(b) Both false
(c) Statement 1 true, 2 false
(d) Statement 2 true, 1 false

35. A farmer practices organic farming using crop rotation and natural predators to control pests instead of pesticides. What advantage does this provide?

(a) Faster and predictable pest eradication
(b) Lower labor costs for pest management
(c) Increased risk of crop failure
(d) Reduced harm to beneficial insects and pollinators

36. India's demographic transition pertains to:

(a) A sudden decline in population growth due to migration
(b) A change in population density across states
(c) A significant simultaneous increase in birth and death rate
(d) A shift from high birth/death rates to low birth/death rates over time

37. A common challenge associated with sustainable aquaculture practices is:

(a) Guaranteed financial gains
(b) Neutral impact on ecosystems
(c) Struggle to maintain ecological equilibrium
(d) Independence from technological advancements

38. In urban areas with high population density, a challenge often associated with housing is:

(a) High home ownership rates, limited rental options
(b) Difficulty accessing essential services due to congestion
(c) Limited open spaces affecting quality of life
(d) Inadequate housing and overcrowding, leading to slums

39. Assertion (A): Human capital formation increases the rate of participation of population in economic activities and leads to economic growth.
Reason (R): Rate of participation of people refers to the percentage of people engaged in the production process of a country.

(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

40. ____ is based on the idea that education and health are integral to human wellbeing.

(a) Human Resource
(b) Human Development

(c) Human Capital
(d) Economic Development

41. Assertion (A): Information plays a crucial role in judicious decision-making about investing in human capital.
Reason (R): Individuals invest to acquire information about the labour market and other areas such as education and healthcare.
(a) Both A and R true, R correct explanation
(b) Both A and R true, R not correct explanation
(c) A true, R false
(d) A false, R true

42. Statement 1: Human capital treats human beings as a means to an end.
Statement 2: In the human development perspective, human beings are an end in themselves.
(a) Both statements true
(b) Both statements false
(c) Statement 1 true, 2 false
(d) Statement 2 true, 1 false

43. Agricultural marketing is a process that involves the ____ of agricultural commodities.
(a) Privatisation and processing only
(b) Assembling and privatisation only
(c) Privatisation, assembling and processing
(d) Processing, assembling and grading

44. Production of diverse varieties of crops, rather than one specialised crop, is known as diversification of:
(a) Crops
(b) Agricultural Production
(c) Sectoral Composition
(d) Employment

45. Identify which statement is INCORRECT about the Rural Banking system in India.
(a) It consists of a set of multi-agency institutions
(b) A well-structured Rural Banking system was formulated post-independence
(c) Regional Rural Banks, Cooperative and Land Development Banks are components of it
(d) It works under the guidance and supervision of the State Bank of India

46. Statement 1: The purchase of food grains by the government at the Minimum Support Price (MSP) is maintained as buffer stock.
Statement 2: MSP safeguards farmers against any sharp fall in farm product prices.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both statements true
(d) Both statements false

47. The prime beneficiary of the Minimum Support Price (MSP) fixed by the government is the:
(a) Labourer
(b) Consumer
(c) Trader (Buyer)
(d) Farmer

48. A government measure to improve agricultural marketing that involves setting up organised, transparent market yards is called:
(a) Cooperative credit societies

(b) Regulated markets
(c) Transportation facilities
(d) Dissemination of information

49. Statement-1: Hired workers may be regular salaried workers or casual workers.
Statement-2: Regular salaried employment is a major source of employment in rural areas in India.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both statements true
(d) Both statements false

50. 'Short-term unemployment occurring as people transit between jobs' describes:
(a) Disguised Unemployment
(b) Seasonal Unemployment
(c) Open Unemployment
(d) Frictional Unemployment

51. A rise in Real GDP without a corresponding adequate rise in employment opportunities is termed:
(a) Casual growth
(b) Informal growth
(c) Formal growth
(d) Jobless growth

52. Under ____ unemployment, the marginal productivity of a worker is equal to zero.
(a) Seasonal
(b) Structural
(c) Involuntary
(d) Disguised

53. Statement 1: Employment is an activity which enables a person to earn a means of livelihood for his/her family.
Statement 2: A worker is one who contributes to GDP by rendering productive services.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both statements true
(d) Both statements false

54. Identify the recent phenomenon in which demand for resources surpasses their supply.
(a) Economic growth
(b) Environmental crisis
(c) Technological advancement
(d) Cultural evolution

55. Statement 1: Environmental concerns of waste generation and pollution have become critical due to reversal of the demand-supply relationship.
Statement 2: Environmental crisis happens when the rate of resource extraction is less than the rate of resource regeneration.
(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both statements true
(d) Both statements false

56. Statement 1: The Government of India established the Central Pollution Control Board (CPCB) to address water and air pollution.

Statement 2: Deforestation leads to the permanent destruction of indigenous forests.

(a) Statement 1 true, 2 false
(b) Statement 1 false, 2 true
(c) Both statements true
(d) Both statements false

57. Significance of human capital was recognised in the ____ Five Year Plan.

(a) Third
(b) Second
(c) Seventh
(d) Fourth

58. Which government organisation regulates the education sector?

(a) NCERT
(b) ICMR
(c) UGC
(d) Both NCERT and UGC

59. In ____, the Government of India made education free and compulsory for all children between 6-14 years of age.

(a) 1991
(b) 2009
(c) 2014
(d) 2017

60. ICMR stands for:

(a) International council of medical research
(b) Indian council of medical resources
(c) International council of medical resource
(d) Indian council for medical research

61. Which of the following costs is included in migration?

(a) Cost of transportation from one place to another
(b) Higher cost of living in migrated places
(c) Psychic cost
(d) All of these

62. Which of the following could aid in human capital formation?

(a) Expanding the labour market by increasing supply of jobs
(b) Creating larger industries with more complete equipment
(c) Creating open markets with increased stability
(d) Promoting gender equality in the family

63. Assertion (A): Human capital formation is required for effective use of physical capital.
Reason (R): Formation of human capital raises life expectancy of the people.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

64. Assertion (A): Human capital treats human beings as a means to an end.
Reason (R): Human capital formation decreases by way of investment in education and health.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A)
(c) Assertion (A) is true but Reason (R) is false
(d) Assertion (A) is false but Reason (R) is true

65. Rural development means:
(a) Providing education to rural people
(b) Providing health facilities to rural people
(c) Development of agriculture
(d) All of the above

66. Rural people require long term loans:
(a) To purchase agriculture machinery
(b) To buy fertilizers and seeds
(c) To improve the land
(d) All of the above

67. Rural people require short term loans:
(a) To buy factors and cattle
(b) To pay old debts
(c) To meet consumption expenditure
(d) All of the above

68. Rural marketing is related to:
(a) Regulated markets
(b) Storage
(c) Transportation
(d) All of the above

69. Organic farming is very useful due to:
(a) Less use of pesticides
(b) Less use of insecticides
(c) Improvement in soil fertility
(d) All of the above

70. Cow dung, urine, residuals of fruits, and mobility of organic nutritious elements are trusted by farmers under:
(a) Organic farming
(b) Farming
(c) Land holding
(d) Distress farming

71. Regional rural banks contribute what percentage to institutional credit?
(a) 32%
(b) 22%
(c) 12%
(d) 60%

72. The three-tier system of rural co-operative credit societies is:
(a) Primary agricultural credit societies (PACS)
(b) Central co-operative banks
(c) State co-operative banks
(d) All of these

73. The multi-agency approach is related to:

(a) Co-operatives
(b) Commercial Banks
(c) Regional Rural Banks
(d) All of these

74. Different types of production included in Agriculture:
(a) Animal husbandry
(b) Production of milk
(c) Goods related to animal produce
(d) All of the above

75. 14 major commercial banks were nationalized in:
(a) 19 July 1969
(b) 19 July 1980
(c) 19 July 1975
(d) 19 July 1991

76. Diversification of agriculture implies:
(a) Shift of workforce from agriculture to other allied activities and change in cropping pattern
(b) Commercialization of agriculture
(c) Use of modern technology
(d) None of these

77. Production of a commodity, mostly through the natural process, is an activity in:
(a) Primary sector
(b) Secondary sector
(c) Tertiary sector
(d) Information technology

78. The livestock sector in India provides employment to over ____ rural people.
(a) 14.4 million
(b) 52 million
(c) 70 million
(d) 90 million

79. Which of the following accounts for the largest share in the livestock sector of India?
(a) Poultry
(b) Cattle
(c) Goats
(d) Ponies and mules

80. Which of the following is a traditional source of rural credit?
(a) Regional Rural Bank
(b) Village Money Lender
(c) Commercial Bank
(d) Co-operative Bank

81. Agricultural diversification means:
(a) Scientific farming
(b) Large scale farming
(c) Co-operative farming
(d) Production of variety of grains and plants on the same land

82. Who was the founder of High Yielding Varieties (HYV) of seeds?

(a) Norman E. Borlaug
(b) Dada Bhai Naoroji
(c) Dr. Swaminathan
(d) None of these

83. Assertion (A): Rural development is an action plan for complete and comprehensive development of rural areas.
Reason (R): It is required to increase the standard of living of Indians as two-third of the population of India lives in rural areas.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

84. Assertion (A): National Bank for Agriculture and Rural Development (NABARD) was set up in 1980.
Reason (R): NABARD is an apex body to coordinate the activities of all institutions involved in the rural financing system.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

85. Assertion (A): Rural people not only face problems with regard to finance, but also encounter difficulties in marketing their goods.
Reason (R): 'Agriculture Marketing' needs urgent attention in the scheme of securing rapid rural development.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

86. Assertion (A): Rapid expansion of the banking system had a positive effect on rural farm and non-farm output, income and employment.
Reason (R): The institutional credit arrangement continues to be inadequate as it has failed to cover the entire rural farmers of the country.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true and R is not the correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

87. Which one of the following is NOT a non-institutional source of credit?

(a) Money lenders
(b) Co-operative Credit
(c) Traders and commission agents
(d) Land development bank

88. Non-farm activities are promoted by the government for:

(a) Regular income to farmer
(b) Addressing the problem of disguised unemployment
(c) Reducing pressure on land
(d) All of the above

89. Which of the following statements is NOT true for a worker?

(a) A worker contributes to the GDP

(b) Workers may temporarily abstain from work due to illness
(c) Self-employed are not workers
(d) Those who help the main workers are also workers

90. What is the distribution of the workforce in rural and urban areas?
(a) 75 : 25
(b) 60 : 40
(c) 50 : 50
(d) 40 : 60

91. Which of the following is the correct definition of self-employed?
(a) Not able to find jobs during some months of the year
(b) Own and operate their own enterprises
(c) Receive wages on a regular basis by the employer
(d) Casually engaged in other individuals' enterprises

92. What percent of urban workers are casual labourers?
(a) 54 percent
(b) 41 percent
(c) 39 percent
(d) 18 percent

93. Which of the following workers is a regular salaried employee?
(a) Owner of a saloon
(b) Rickshaw puller
(c) Cashier in State Bank of India
(d) Vegetable vendor

94. Which of the following is a primary sector activity?
(a) Mining and Quarrying
(b) Construction
(c) Trade
(d) Transport and Storage

95. What proportion of the urban workforce is engaged in the secondary sector?
(a) Half
(b) One-third
(c) One-fourth
(d) One-fifth

96. What was the average rate of growth of employment during 1950-2010?
(a) 1 percent
(b) 2 percent
(c) 5 percent
(d) 10 percent

97. Which of the following is NOT a feature of the organised sector?
(a) Job Security
(b) Social security benefits
(c) Irregular payment
(d) Fixed working hours

98. Which of the following is NOT an employment generation programme?

(a) Rural Employment Generation Programme (REGP)
(b) Prime Minister's Rozgar Yojana (PMRY)
(c) National Food for Work Programme (NFWP)
(d) Valmiki Ambedkar Awas Yojana

99. Which of the following measures can help reduce unemployment in a country within a very short period of time?
(a) Increasing the investment in both public and private sector
(b) Reducing the growth rate of a country's population
(c) Reducing the inequalities in terms of distribution of wealth and income
(d) None of the above

100. Which of the following is a major form of livelihood for Indians, accounting for greater than 50 per cent of the total workforce?
(a) Regular salaried employment
(b) Casual wage labour
(c) Self-employment
(d) None of the above

101. Which of the following statements is true about disguised unemployment?
(a) The majority of disguised unemployed in India are found in the agriculture sector
(b) The majority of disguised unemployed in India are found in the trade sector
(c) The majority of disguised unemployed in India are found in the transport sector
(d) The majority of disguised unemployed in India are found in the manufacturing sector

102. Which of the following statements is true about unemployment in rural India?
(a) Structural unemployment is a common form of unemployment in rural India
(b) Disguised unemployment is a common form of unemployment in rural India
(c) Educated unemployment is a common form of unemployment in rural India
(d) None of the above

103. Which of the following statements is true about unemployment in urban India?
(a) Seasonal unemployment is a common form of unemployment in urban India
(b) Disguised unemployment is a common form of unemployment in urban India
(c) Open unemployment is a common form of unemployment in urban India
(d) None of the above

104. Which of the following is the most common form of unemployment in India?
(a) Voluntary unemployment
(b) Frictional unemployment
(c) Structural unemployment
(d) Technical unemployment

105. Which of the following agencies can provide data for unemployment in India?
(a) Reports from the census of India
(b) The Directorate General of Employment
(c) National Sample Survey Organisation (NSSO)
(d) All of the above

106. Which of the following statements is true?
(a) An establishment that has four hired workers is known as an informal sector establishment
(b) An establishment that has four hired workers is known as a formal sector establishment
(c) Both are correct
(d) Both are incorrect

107. Which type of unemployment occurs when some workers lose their jobs due to the introduction of new machinery?

(a) Seasonal unemployment
(b) Technological unemployment
(c) Mechanical unemployment
(d) Structural unemployment

108. Assertion (A): Expenditure on health increases the physical and mental ability of human beings.
Reason (R): Expenditure on health makes long term impacts and these can be easily reversed.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

109. Assertion (A): The importance of human capital formation rises as population rises.
Reason (R): Rising population is an impediment to the process of human capital formation in India.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

110. Assertion (A): Cause and effect relation between human capital and economic growth can be easily proved.
Reason (R): Due to measurement problems, it is difficult to establish a relation of cause and effect from the growth of human capital (education and health) to economic growth.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

111. Assertion (A): Percentage of female workers is low in urban areas.
Reason (R): In urban areas, jobs for women are governed by family decisions rather than individual decisions.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

112. Assertion (A): Disguised unemployment is present in India.
Reason (R): Agricultural productivity at the margin is close to zero.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

113. Assertion (A): Worker-population ratio of women workers in rural areas is more than that of women in urban areas.
Reason (R): The number of women workers in our country is generally underestimated because many activities undertaken by them are not recognised as productive work.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

114. Assertion (A): Labour force refers to the number of persons actually working and does not account for those who are willing to work.

Reason (R): Workforce is a measurement of actual labour force.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

115. Assertion (A): Women participation in the workforce is less.

Reason (R): Women's education in India is still lagging behind, which implies low employment opportunities for women.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

116. Which of the following factors does NOT contribute to global warming?

(a) Deforestation
(b) Air pollution
(c) Burning of petroleum and coal products
(d) Hydrogen gas released in animal waste

117. Ozone depletion refers to the phenomenon of reduction in the amount of ozone in the:

(a) Exosphere
(b) Stratosphere
(c) Troposphere
(d) Mesosphere

118. Assertion (A): The environment fails to perform its vital function of life sustenance, and this results in an environmental crisis.

Reason (R): Many resources have become extinct and the wastes generated are beyond the absorptive capacity of the environment.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

119. Assertion (A): The environment has an important function of supplying resources, both renewable and non-renewable.

Reason (R): The environment is able to perform its functions as long as the demand on these functions is within its carrying capacity.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

120. Assertion (A): Sustainable development is the development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

Reason (R): This requires conservation and promotion of natural resources.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

121. Assertion (A): Environmental degradation owes a great deal to supply-demand reversal of resources over time.
Reason (R): Global warming is a wake up call to save the environment.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

122. Assertion (A): Deforestation is rising at such a rapid scale that it has totally disturbed the ecological balance of the country.
Reason (R): Deforestation is one of the major reasons for soil erosion.

(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

123. Identify which of the following are associated with the problem of human capital formation in India?
i) Brain drain
ii) Rising population
iii) Low academic standards
iv) Changes in social outlook

(a) (i) and (ii)
(b) (ii) and (iii)
(c) (i), (ii) and (iii)
(d) (i) and (iv)

124. Statement 1: Quality of education is measured in terms of years of schooling and enrolment rates.
Statement 2: Education provides knowledge to understand changes in society and scientific advancements.

(a) Both the statements are true
(b) Both the statements are false
(c) Statement 1 is true, but statement 2 is false
(d) Statement 2 is true, but statement 1 is false

125. Identify which of the following alternatives indicate the incorrect components combination of Agriculture Marketing System:

(a) Assembling, Storage, Processing, Packaging
(b) Production, Assembling, Processing, Grading
(c) Assembling, Processing, Packaging, Transportation
(d) Processing, Packaging, Grading, Distribution

126. Read the following statements- Assertion (A) and Reason (R). Choose the correct alternative given below: Assertion (A): World Trade Organization (WTO) is expected to establish the rule-based trading regime, to avoid unilaterally placed arbitrary restrictions by member nations. Reason (R): It is imperative to enlarge world production and ensure optimum utilization of world resources along with environmental protection.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

127. Read the following statements carefully: Statement 1: As per the National Sample Survey Organization (NSSO), unemployment is a situation in which all those who, owing to lack of work, are not working, but are seeking work from prospective employers. They express their willingness/availability to work under the prevailing conditions of work and remuneration. Statement 2: Disguised Unemployment is generally a massive problem in a

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highly populated country like India. In the light of the given statements, choose the correct alternative from the following :

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

128. ____ farming is a system that is helpful in restoring, maintaining and enhancing the ecological balance. (Choose the correct alternative to fill in the blank)

(a) Conventional
(b) Organic
(c) Chemical
(d) Multi-layered

129. Identify the sources of Human Capital Formation and choose the correct alternative to fill in the blanks.

(a) Expenditure on Health and Expenditure on Schools
(b) Expenditure on Technology and Expenditure on Knowledge
(c) Expenditure on Migration and Expenditure on Knowledge
(d) Expenditure on Health and Expenditure on Migration

130. From the type of workers given in Column I, identify the correct nature of work in Column II: Column I Column II 1. Cement shop owner (i) Regular salaried 2. Construction worker (ii) Casual wage workers 3. Civil engineer (iii) Self-employed

(a) 1-(i); 2-(ii); 3-(iii)
(b) 1-(ii); 2-(i); 3-(iii)
(c) 1-(iii); 2-(ii); 3-(i)
(d) 1-(iii); 2-(i); 3-(ii)

131. Which of the following is/are not an objective of regulated agricultural market? (i) To discourage improvement of marketing infrastructure for farmers. (ii) To make marketing systems efficient and effective for farmers to get best price for their products. (iii) To discourage farmers to improve the quantity and quality of their produce.

(a) (i) and (iii)
(b) (ii) and (iii)
(c) (i) only
(d) (ii) only

132. Production of varied forms of crops against one specialised crop is called diversification of ____. (Choose the correct alternative to fill in the blank)

(a) sectoral occupation
(b) employment structure
(c) crops
(d) industrial production

133. Identify which of the following is not a Human Development Indicator (HDI).

(a) Life Expectancy at Birth
(b) Adult Literacy Rate
(c) Maternal Mortality Rate
(d) Unemployment

134. Read the following statements carefully: Statement 1: Human development is based on the idea that education and health are integral to human well-being. Statement 2: Human capital treats humans as a means to an end. In light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.

(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

135. Identify, which of the following alternative indicates towards incorrect components combination of Agricultural Marketing System?
(a) Assembling, Storage, Processing, Packaging
(b) Production, Assembling, Processing, Grading
(c) Assembling, Processing, Packaging, Transportation (C)
(d) Processing, Packaging, Grading, Distribution

136. Read the following statements carefully: Statement 1: China has used the market mechanism to create additional social and economic opportunities for its citizens. Statement 2: In China, Social Infrastructure created by the government brought positive results in human development indicators. In the light of the given statements, choose the correct alternative from the following:
(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statement 1 and 2 are true.
(d) Both Statement 1 and 2 are false.

137. Read the following statements carefully Statement 1: As per National Sample Survey Organisation (NSSO) unemployment is a situation in which all those who, owing to lack of work, are not working, but seeking work from prospective employers, expressed their willingness to work under the prevailing condition of work and remuneration. Statement 2: Disguised unemployment is generally a massive problem in the highly populated country like India. In the light of the given statements, choose the correct alternative from the following:
(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statement 1 and 2 are true.
(d) Both Statement 1 and 2 are false.

138. ____ farming is the system that restores, maintains and enhances the ecological balance. (Fill up the blank with correct alternative.)
(a) Conventional
(b) Chemical
(c) Organic
(d) Multi-layered

139. Identify, which of the following is not a correct function of environment? (i) Exclusion of waste (ii) Sustainance of life (iii) Provide aesthetic services
(a) (i) only
(b) (ii) only
(c) (ii) & (iii)
(d) (i) & (ii)

140. Study the following picture: Identify the kind of activities, which may be envisaged under ____ as diversification activity. (Fill up the blank with correct alternative.)
(a) Animal Husbandry
(b) Fisheries
(c) Horticulture
(d) Organic farming

141. ____ indicator may be defined as the measure of the extent of demographic participation in Social and Political decision making in a Country. (Fill up the blank with correct alternative.)
(a) Economic

(b) Health
(c) Demographic
(d) Liberty

142. Read the following statements carefully: Statement 1: Casual workers are hired on a permanent basis and also get social security benefits. Statement 2: Workforce comprises, both employed and unemployed person. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

143. The scheme of 'Micro Finance' is extended through ____ credit provision. (Fill up the blank with correct alternative.)

(a) Self help groups
(b) Land Development Banks
(c) Regional Rural Banks
(d) Commercial Banks

144. Identify the alternate marketing channel that operates majorly in Punjab, Haryana and Rajasthan. (Choose the correct alternative)

(a) Apni Mandi
(b) Hadapsar Mandi
(c) Rythu Bazars
(d) Uzhavar Sandies

145. ____ can be classified as one of the alternative sources of diversification from farm output. (Choose the correct alternative to fill in the blank)

(a) Green Revolution
(b) Horticulture
(c) Organic Farming
(d) Conventional Farming

146. Study the following picture: Identify and select, the recent phenomenon in which demand for resources surpasses their supply. Options:

(a) Economic growth
(b) Environmental crisis
(c) Technological advancement
(d) Cultural evolution

147. Read the following statements carefully: Statement-1: Hired workers may be regular salaried workers or casual workers. Statement-2: Regular salaried employment is a major source of employment in rural areas in India. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

148. "It is short-term unemployment occurring, as people transit between jobs." On the basis of the given definition, identify the type of unemployment indicated. (Choose the correct option) Options:

(a) Disguised Unemployment
(b) Seasonal Unemployment
(c) Open Unemployment

(d) Frictional Unemployment

149. Read the following statements carefully: Assertion (A) and Reason (R). Choose the correct option from those given below: Assertion (A): Human capital formation increases the rate of participation of population to economic activities and leads to economic growth. Reason (R): Rate of participation of people refers to the percentage of people engaged in production process of a country. Options:

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

150. Identify, the options that emphasize the role of information and technology. (i) Achieving sustainable development (ii) Attainment of food security (iii) Disseminates information regarding emerging technologies. Options :

(a) Only (i)
(b) Only (ii)
(c) (i) and (ii)
(d) (i), (ii) and (iii)

151. ____ are the people who operate their own farms / enterprises. (Choose the correct option to fill up the blank)

(a) Hired Workers
(b) Casual Wage Workers
(c) Regular Salaried Employees
(d) Self-Employed

152. The given chart indicates the problem of ____ in the Indian Economy, post 1990-92. (Choose the correct option to fill up the blank) Options :

(a) Informalisation of Workforce
(b) Casualisation of Workforce
(c) Jobless Growth
(d) Formalisation of Workforce

153. Read the following statements carefully : Statement 1 : Environmental concerns of waste generation and pollution have become critical, due to reversal of demand and supply relationship. Statement 2 : Environmental crisis happens, when the rate of resource extraction is less than that of regeneration of resource. In the light of the given statements, choose the correct option from the following :

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both statements 1 and 2 are true.
(d) Both statements 1 and 2 are false.

154. Identify, which of the following statements is incorrect about the functions of environment. (Choose the correct option)

(a) Provides resources
(b) Absorbs wastage
(c) Sustains life
(d) Deteriorates quality of life

155. Read the following statements carefully: Statement 1: The Food Corporation of India maintains buffer stocks of wheat and rice as a measure to improve market mechanism. Statement 2: Minimum Support Price (MSP) is imposed by the government to safeguard the interest of farmers. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.

(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

156. Suppose an economy is experiencing a situation of rise in Real Gross Domestic Product (GDP), without any corresponding rise in the employment opportunities. In economic parlance, such a situation is termed as ____ growth. (Choose the correct option to fill in the blank)

(a) casual
(b) informal
(c) formal
(d) jobless

157. "Suppose an imaginary economy is experiencing a situation of rise in Real Gross Domestic Product (GDP), without any corresponding adequate rise in the employment opportunities in the economy." In economic parlance, such a situation is termed as ____ growth. (Choose the correct option to fill in the blank)

(a) Casual
(b) Informal
(c) Formal
(d) Jobless

158. Read the following statements carefully : Statement 1 : The purchase of food grains, made by the government on the Minimum Support Price (MSP), is maintained as buffer stock. Statement 2 : Minimum Support Price (MSP) safeguards the farmers against any sharp fall in farm product prices. In the light of the given statements, choose the correct option from the following :

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

159. "The Indian Government adopted a policy of fixing maximum land holding limit (ownership) for an individual." It is commonly known as ____. (Choose the correct option to fill in the blank)

(a) Green Revolution
(b) Land Ceiling
(c) Marketable Surplus
(d) Golden Revolution

160. Identify, which of the following measure is not adopted by the government to improve agricultural marketing.

(a) Cooperative credit societies
(b) Unregulated markets
(c) Better transportation facilities
(d) Dissemination of information

161. Read the following statements carefully: Statement 1: Employment is an activity which enables a person to earn means of livelihood for his/her family. Statement 2: A worker is the one who contributes to the process of Gross Domestic Product (GDP) by rendering his productive services. In the light of given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

162. Prime beneficiary of the Minimum Support Price (MSP) fixed by the government is ____. (Choose the correct option to fill in the blank)

(a) Labourer
(b) Consumer

(c) Trader (Buyer)
(d) Farmer

163. Identify, the incorrect feature associated with the formal sector of employment in any economy. (Choose the correct option)

(a) Job security
(b) Social security benefits
(c) Irregular payments
(d) Fixed working hours

164. Read the following statements carefully : Statement 1: In order to address the problem of water and air pollution in India, the Government of India had established the Central Pollution Control Board (CPCB). Statement 2: Deforestation leads to the permanent destruction of indigenous forests. In the light of the given statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

165. Suppose the percentage of casual workers rises in an economy as compared to the regular workers. This situation may be known as ____ of workforce. (Choose the correct option to fill in the blank) (i) Formalisation (ii) Casualisation (iii) Unemployment Options:

(a) (i) and (ii)
(b) (ii) and (iii)
(c) only (ii)
(d) only (i)

166. 'Expenditure on health' is one of the sources of Human Capital Formation where, ____ is one of the most suitable curative measures. (Choose the correct alternative to fill in the blank)

(a) Vaccination
(b) Medical intervention during illness
(c) Spread of health awareness
(d) Provision of clean drinking water

167. Study the following image carefully: Identify, which of the following factors is an essential requirement for the implementation of Green Revolution. (Choose the correct alternative)

(a) Regular use of chemical fertilizers
(b) Use of natural manures
(c) A lesser requirement for irrigation facilities
(d) Traditional seeds

168. The Montreal Protocol was signed in the year 1987 committing nations to____. (Choose the correct option to fill in the blank) Options:

(a) protect biodiversity from any further losses.
(b) reduce the impact of global warming.
(c) protect ozone layer from depletion incurred due to chlorofluoro carbons.
(d) reduce the impact of deforestation.

169. Identify, which of the following, highlights a highly relevant issue associated with evolving employment trends in India's labour market? Options:

(a) Progressive increase in the share of permanent salaried employees.
(b) Increase in the proportion of casually employed individuals.
(c) Expansion of self-employment avenues in all regions.

(d) Significant rise in job opportunities within the formal sector.

170. Match the terms given in Column-I with their respective meaning in Column-II. Select the correct option : Column-I Column-II (i) Seasonal (a) Private enterprises hiring less than 10 employees Unemployment (ii) Self-employed (b) Workers using their own resources to earn livelihood (iii) Unorganised (c) Unemployment occurring in specific season sector (iv) Disguised (d) Zero Marginal Productivity Unemployment Options:

(a) (i)-(d); (ii)-(a); (iii)-(b); (iv)-(c)
(b) (i)-(b); (ii)-(a); (iii)-(c); (iv)-(d)
(c) (i)-(c); (ii)-(b); (iii)-(a); (iv)-(d)
(d) (i)-(c); (ii)-(d); (iii)-(a); (iv)-(b)

171. "Sustainable development refers to the development that meets the need of the present generation without compromising the ability of the future generations, to meet their own needs." The above mentioned definition has been given by ____. (Choose the correct option to fill in the blank)

(a) United Nations Conference on Environment and Development
(b) United Nations Committee on Environment and Development
(c) United Nations Committee on Protection of Environment
(d) United Nations Conference on Protection of Environment

172. The steep Indian education pyramid indicates ____. (Choose the correct option to fill in the blank) Options:

(a) equal distribution of students across all levels
(b) increase in number of people reaching higher education
(c) low unemployment among educated youth
(d) few/less number of people reaching higher education

173. From the types of unemployment/employment given in Column-I and corresponding features given in Column-II, choose the correct pair: Column - I Column - II (i) Disguised Unemployment (a) Concentrated to a given season (ii) Seasonal Unemployment (b) Marginal productivity is zero (iii) Indirect employment by government (c) Indian Railways (iv) Direct employment by government (d) Indian Oil Corporation (IOC) Options:

(a) (i) - (a)
(b) (ii) - (b)
(c) (iii) - (c)
(d) (iv) - (d)

174. Identify that strategy given in the image that can be utilised for sustainable development. Options:

(a) Non-conventional source of energy
(b) Wind power
(c) CNG in urban areas
(d) Gobar Gas in rural areas

175. Read the following statements carefully: Statement 1: The option for producing off-season crops are quite restricted in organic farming. Statement 2: Organic agriculture helps in substituting costlier agricultural inputs with locally produced organic inputs. In the light of the above statements, choose the correct option from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both statements 1 and 2 are true.
(d) Both statements 1 and 2 are false.

176. Education provides ____. (Choose the correct option to fill in the blank) (i) Scientific advancements (ii) Facilitate inventions and innovations (iii) Adapting to new technology Options:

(a) (i) and (ii)
(b) (i) and (iii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)

177. Minimum Support Price is fixed by the Government to safeguard the interests of the ____. (Choose the correct option to fill in the blank) Options :

(a) Consumers
(b) Farmers
(c) Wholesalers
(d) Middlemen

178. Read the following statements carefully: Statement I: Livestock provides alternative livelihood options to small and marginal farmers. Statement II: In rural areas, animal husbandry provides stable employment opportunities throughout the year. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

179. Read the following statements carefully: Statement I: Worker Population Ratio is used for analyzing the overall employment situation of a country. Statement II: A garment company has hired two workers on daily wage basis. Such a situation is considered as a formal sector employment. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

180. Which of the following is not an advantage of Green Revolution?

(a) Increased marketed surplus
(b) Increase in prices of food grains
(c) Self-sufficiency in food grains
(d) Creation of buffer stock

181. Based on the given image, choose the incorrect option:

(a) Information related to employment is collected by Union Ministry of Labour.
(b) International Labour Organization (ILO) has initiated modernization of this enterprise and the provision of social security measures to workers.
(c) Highly vulnerable to uncertainties of the market.
(d) An enterprise hires 10 or less than 10 workers.

182. Read the following statements carefully: Statement I: Diversification in agriculture relates to change in cropping pattern and shift in workforce to allied activities. Statement II: Agricultural marketing is a process that involves the assembling, storage, processing, transportation, packaging, grading and distribution of agro-products. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false

183. Human Development is based on the idea that ____ and ____ are integral to human wellbeing. (Choose the correct option to fill in the blanks)

(a) Education, Wealth
(b) Health, Wealth
(c) Education, Health
(d) Health, Housing

184. Read the following statements carefully: Statement I: Population explosion, affluent consumption and production have placed a huge stress on the environment. Statement II: Carrying capacity is the largest size of a density-dependent population for which the population growth rate is zero. In the light of the given statements, choose the correct option from the following:

(a) Statement I is true and Statement II is false.
(b) Statement I is false and Statement II is true.
(c) Both Statements I and II are true.
(d) Both Statements I and II are false.

185. Identify, which of the following is not a strategy of sustainable development. (Choose the correct option)

(a) Use of Solar Panels
(b) Use of Bio-Pests
(c) Use of coal to produce electricity
(d) Use of Mini-Hydel Plants

186. In the rural areas, diversification towards new areas such as livestock, fisheries and other non-agricultural activities is necessary to ____. (i) Reduce the risk from agricultural sector (ii) Provide unsustainable livelihood options (iii) Provide supplementary employment (Choose the correct option to fill in the blank) Options :

(a) Only (i)
(b) (i) and (ii)
(c) (i) and (iii)
(d) (i), (ii) and (iii)

187. Self-Help Groups (SHGs) have emerged to fill the gap in the formal credit system as they ____. (Choose the correct option to fill in the blank)

(a) Provide loan after obtaining suitable collateral
(b) Lend at a high rate of interest
(c) Promote thrift in larger proportions
(d) Generally provide collateral-free credit to their members

188. In 2009, the Government of India came up with the ____ to make free education, a fundamental right for all children in the age group of 6 -- 14 years. (Choose the correct option to fill in the blank)

(a) Mid-Day Meal Scheme
(b) Jan Dhan Yojana
(c) Tapas Majumdar Committee
(d) Right to Education Act

189. In a hypothetical country, if the worker-population ratio is 30 and total number of workers is 1500, its total population will be ____. (Choose the correct option to fill in the blank)

(a) 50
(b) 450
(c) 5,000
(d) 50,000

190. According to Herman Daly (an environmental economist), to achieve sustainable development ____. (Choose the correct option to fill in the blank)

(a) the human population should be limited within the carrying capacity
(b) technological progress should be input-consuming
(c) renewable resources should not be extracted on a sustainable basis
(d) the non-renewable resources' rate of depletion should exceed its rate of substitution

191. Identify the correct statement from the following: (Choose the correct option)

(a) Human capital is tangible, whereas physical capital is intangible.

(b) Human capital formation and physical capital are the same.
(c) Human capital benefits not only the owner, but also society in general.
(d) Human capital, and physical capital, nature of depreciation remains the same.

192. Identify the limitation of organic farming from the following: (Choose the correct option)
(a) Healthier food
(b) Shorter shelf-life
(c) Environment-friendly
(d) Lower production cost

193. Raghav is a factory owner with 50 workers. He laid off 5 workers and noticed that the total factory output remained the same. This situation will most likely be described as ____ employment. (Choose the correct option to fill in the blank)
(a) Structural
(b) Disguised
(c) Seasonal
(d) Frictional

194. The expenditure by the Indian government on education is expressed as a percentage of ____. (Choose the correct option to fill in the blank) (i) Gross Domestic Product (GDP) (ii) Total Government Expenditure (iii) Total State Expenditure Options:
(a) (i) and (iii)
(b) (i) and (ii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)

195. Assertion (A): In the recent past, Indian economy has been facing the problem of jobless growth. Reason (R): Jobless growth refers to a situation where an economy is able to produce more goods and services without generating additional employment.
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

196. Identify from the following alternatives the incorrect objectives of regulated agriculture market: (i) To make the marketing system efficient and effective for farmers to get best price of their products. (ii) To discourage improvement of marketing infrastructure for farmers. (iii) To prevent exploitation of farmers. (iv) To discourage farmers from improving quality and quantity of their produce.
(a) (i) and (ii)
(b) (i) and (iii)
(c) (iii) and (iv)
(d) (ii) and (iv)

197. In recent years, all the adults are encouraged to open bank accounts as a part of a scheme known as ____. (Choose the correct option to fill up the blank)
(a) Jan-Dhan Yojana
(b) Jan-Aushadhi Yojana
(c) Jan-Soochna Yojana
(d) Jan-Arogya Yojana

198. White Revolution is associated with ____. (Choose the correct option to fill in the blank)
(a) Horticulture
(b) Fisheries

(c) Dairy Production
(d) Animal Husbandry

199. Identify, which of the following is not a feature of physical capital. (Choose the correct option) (i) Tangibility (ii) Tradability (iii) Immobility Options:

(a) (i) and (ii)
(b) (ii) and (iii)
(c) (i) and (iii)
(d) (i), (ii), and (iii)

200. The institutional structure of rural banking today consists of a set of multi-agency institutions except the ____. (Choose the correct alternative to fill in the blank)

(a) Commercial Banks
(b) Regional Rural Banks (RRBs)
(c) Land Development Banks (LDBs)
(d) Private Money-lenders

201. Identify, which of the following is not a factor responsible for land degradation. (Choose the correct alternative)

(a) Deforestation
(b) Overgrazing
(c) Industrial practices
(d) Proper crop rotation

202. The following table shows the distribution of population and workers in a village: Total Population Number of people who are Number of people who are willing and able to work employed 2000 1200 800 The Worker -- Population ratio for village would be ____%. (Choose the correct option to fill in the blank)

(a) 80
(b) 40
(c) 60
(d) 20

203. Identify the example of a casual worker from the following: (Choose the correct option)

(a) An exporter of carpets
(b) A nurse permanently employed in a government hospital
(c) A mason working at a construction site
(d) A local tailor running his own business

Answer Key

1. (c) 2. (a) 3. (b) 4. (a) 5. (b)
6. (c) 7. (a) 8. (c) 9. (d) 10. (d)
11. (a) 12. (c) 13. (d) 14. (d) 15. (b)
16. (c) 17. (d) 18. (a) 19. (c) 20. (a)
21. (b) 22. (c) 23. (c) 24. (a) 25. (c)
26. (d) 27. (b) 28. (a) 29. (d) 30. (b)
31. (a) 32. (a) 33. (a) 34. (a) 35. (d)
36. (d) 37. (c) 38. (d) 39. (b) 40. (b)
41. (a) 42. (a) 43. (d) 44. (a) 45. (d)
46. (c) 47. (d) 48. (b) 49. (a) 50. (d)
51. (d) 52. (d) 53. (c) 54. (b) 55. (a)
56. (a) 57. (c) 58. (d) 59. (b) 60. (d)
61. (d) 62. (d) 63. (b) 64. (c) 65. (d)
66. (d) 67. (c) 68. (d) 69. (d) 70. (a)
71. (c) 72. (d) 73. (d) 74. (d) 75. (a)
76. (a) 77. (a) 78. (c) 79. (a) 80. (b)
81. (d) 82. (a) 83. (a) 84. (d) 85. (a)
86. (b) 87. (b) 88. (d) 89. (c) 90. (a)
91. (b) 92. (d) 93. (c) 94. (a) 95. (b)
96. (b) 97. (c) 98. (d) 99. (a) 100. (c)
101. (a) 102. (b) 103. (c) 104. (c) 105. (d)
106. (a) 107. (b) 108. (c) 109. (a) 110. (d)
111. (a) 112. (a) 113. (b) 114. (d) 115. (a)
116. (d) 117. (b) 118. (a) 119. (b) 120. (a)
121. (b) 122. (b) 123. (c) 124. (d) 125. (b)
126. (a) 127. (c) 128. (b) 129. (d) 130. (c)
131. (a) 132. (c) 133. (d) 134. (c) 135. (b)
136. (c) 137. (c) 138. (c) 139. (a) 140. (a)
141. (d) 142. (d) 143. (a) 144. (a) 145. (b)
146. (b) 147. (a) 148. (d) 149. (b) 150. (d)
151. (d) 152. (c) 153. (a) 154. (d) 155. (c)
156. (d) 157. (d) 158. (c) 159. (b) 160. (b)
161. (c) 162. (d) 163. (c) 164. (a) 165. (c)
166. (b) 167. (a) 168. (c) 169. (b) 170. (c)
171. (a) 172. (d) 173. (d) 174. (d) 175. (c)
176. (d) 177. (b) 178. (c) 179. (a) 180. (b)
181. (a) 182. (c) 183. (c) 184. (c) 185. (c)
186. (c) 187. (d) 188. (d) 189. (c) 190. (a)
191. (c) 192. (b) 193. (b) 194. (b) 195. (b)
196. (d) 197. (a) 198. (c) 199. (b) 200. (d)
201. (d) 202. (b) 203. (c)

Unit 8: Development Experience of India - A Comparison with Neighbours

71 Questions

Questions

1. The overarching objective of equitable distribution goals in planning is to:
(a) Ensure a fair and just society for all citizens
(b) Foster competition by reducing government intervention in markets
(c) Focus on short-term gains rather than long-term societal benefits
(d) Enhance economic growth through targeted investments in specific sectors

2. The main objective of China's 'One Child Policy' (1979–2016) was:
(a) To provide financial incentives for families with multiple children
(b) To promote gender equality by limiting male children
(c) To control population growth and address overpopulation concerns
(d) To encourage families to have more children

3. Statement (1): The contribution of the industrial sector to GVA in India and Pakistan is much lower than China.
Statement (2): India and Pakistan are directly moving from agriculture to services.
(a) Both true
(b) Both false
(c) Statement 1 true, 2 false
(d) Statement 2 true, 1 false

4. Statement (1): Both India and China initiated industrial reforms with the creation of agricultural communes.
Statement (2): Both countries are primarily agrarian, with all sectors depending on the primary one.
(a) Both true
(b) Both false
(c) Statement 1 true, 2 false
(d) Statement 2 true, 1 false

5. Statement(1): The ratio of employed women in urban areas is generally lower than in rural areas.
Statement(2): There are more low-income employment opportunities available in rural than urban areas.
(a) Both true
(b) Both false
(c) Statement 1 true, 2 false
(d) Statement 2 true, 1 false

6. Statement 1: Both India and Pakistan initiated economic reforms without any external pressures.
Statement 2: Pakistan has successfully implemented the SEZ policy using the Export Promotion policy.
(a) Both true
(b) Both false
(c) Statement 1 true, 2 false
(d) Statement 2 true, 1 false

7. Statement 1: The nature of the unemployment problem in India is uni-faceted.
Statement 2: Worker-Population ratio is an indicator used for analysing the employment situation in a country.
(a) Both true
(b) Both false
(c) Statement 1 true, 2 false

(d) Statement 2 true, 1 false

8. Arrange China's events in chronological order: i) Great Proletarian Cultural Movement ii) Great Leap Forward Campaign iii) Introduction of Economic Reforms iv) First Five Year Plan

(a) (iv), (i), (ii), (iii)
(b) (ii), (iv), (iii), (i)
(c) (ii), (iv), (i), (iii)
(d) (iv), (ii), (i), (iii)

9. Introduction of Economic Reforms in China took place in the year:

(a) 2016
(b) 1951
(c) 1978
(d) 1991

10. There are two statements about India's structural composition, 1950-1990: I. At the start, agriculture's share in GDP was highest. II. Rising agricultural productivity further increased agriculture's share in GDP by the period's end. Which is/are true?

(a) Both 1 and 2
(b) Only 2
(c) Neither 1 nor 2
(d) Only 1

11. Statement I: Proportion of people below the poverty line is more in India than in Pakistan.
Statement II: Maternal Mortality Rate (MMR) is high in Pakistan relative to China.

(a) Statement I true, II false
(b) Both false
(c) Both true
(d) Statement I false, II true

12. Choose the correct pair of statements as per India's neighbouring economies' latest figures.
(i) HDI (ii) Fertility rate (iii) Density of population (iv) Growth rate of population — matched with A: highest in China, B: highest in India, C: highest in Pakistan, D: highest in China

(a) (i)-A
(b) (ii)-B
(c) (iii)-C
(d) (iv)-D

13. In how many sectors is the occupational structure of India divided?

(a) One
(b) Two
(c) Three
(d) Four

14. What is another name for the service sector?

(a) Tertiary
(b) Primary
(c) Secondary
(d) Agriculture

15. Which activity is included in the primary sector?

(a) Agriculture
(b) Services

(c) Industries
(d) All of these

16. In which sector is manufacturing activity included?
(a) Primary
(b) Tertiary
(c) Secondary
(d) All of these

17. What is the tax or duty on imports called?
(a) Tariff
(b) Quota
(c) Export
(d) None of these

18. How many countries are members of the WTO?
(a) 164
(b) 120
(c) 96
(d) 48

19. Where is the headquarters of the WTO located?
(a) Italy
(b) Geneva
(c) New York
(d) Washington

20. Which of the following is NOT a merit of human capital formation?
(a) Improves technical knowledge
(b) Enlarges the size of business
(c) Increases cost of production
(d) Changes social outlooks

21. What was the share of education in total government expenditure in 2014 (approx.)?
(a) 7.92 percent
(b) 15.7 percent
(c) 0.64 percent
(d) 25 percent

22. According to the second stage of demographic transition, the country experiences:
(a) Low birth rate and high death rate
(b) High birth rate and high death rate
(c) Low birth rate and low death rate
(d) High birth rate and low death rate

23. Which country's economic growth has been comparable to India due to a diversified strategy across agriculture, industry and services?
(a) Slower due to protectionist strategies
(b) Comparable due to diversified strategies
(c) Higher due to monopolistic strategies
(d) Inconsistent due to isolationist strategies

24. On the eve of independence, which sector contributed the most to India's GDP under colonial rule?

(a) Industrial sector
(b) Agricultural sector
(c) Service sector
(d) Mining sector

25. Which are key characteristics of the informal sector in India?
(a) Formal employment contracts and job security
(b) Availability of social security benefits and regular wages
(c) High levels of occupational safety
(d) Absence of flexible working hours protections

26. Average annual growth rate of population in Pakistan in 2015 was:
(a) 1.2%
(b) 2.1%
(c) 2.5%
(d) 2.2%

27. 'The extent of democratic participation in social and political decision making' is an example of:
(a) Human Development Indicator
(b) Economic Indicator
(c) Demographic Indicator
(d) Liberty Indicator

28. 'One Child Policy' was adopted by China in which year?
(a) 1958
(b) 1978
(c) 1979
(d) 1991

29. Which country was able to maintain double digit growth for more than two decades?
(a) India
(b) China
(c) Pakistan
(d) Bangladesh

30. Assertion (A): The Great Leap Forward (GLF) campaign initiated in China brought a new era of industrialization and agricultural development.
Reason (R): Students and professionals were sent to the countryside under the Great Leap Forward (GLF) campaign.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

31. Assertion (A): The GLF campaign initiated in 1958 aimed at industrializing the country on a massive scale.
Reason (R): Under the commune system, people collectively cultivated lands.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

32. Assertion (A): India adopted a mixed economy model of growth.
Reason (R): The People's Republic of China as a growth model was established in 1949.
(a) Both A and R are true and R is the correct explanation of A

(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

33. Assertion (A): China's rapid industrial growth can be traced back to its reforms introduced in 1978.
Reason (R): Private sector firms and township and village enterprises (owned and operated by local collectives) were allowed to produce goods.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

34. Assertion (A): India is moving ahead of both China and Pakistan.
Reason (R): India introduced economic reforms like the GLF campaign of China to industrialize the country on a massive scale.
(a) Both A and R are true and R is the correct explanation of A
(b) Both A and R are true but R is not a correct explanation of A
(c) A is true but R is false
(d) A is false but R is true

35. In the decade of the 1970s, Pakistan nationalized its ____ industries. (Choose the correct alternative to fill in the blank)
(a) Medical infrastructure
(b) Consumer goods
(c) Capital goods
(d) Foreign trade

36. Identify which of the following is not a member nation of G20:
(a) Brazil
(b) Australia
(c) Bangladesh
(d) Argentina

37. China was able to control its rapid population growth rate owing to ____ . (Choose the correct alternative to fill in the blank)
(a) Economic reforms
(b) One-Child Policy
(c) Great Proletarian Cultural Revolution
(d) Special Economic Zones

38. Read the following statements carefully: Statement 1: India, Pakistan and China have similar physical endowments, but totally different political systems. Statement 2: Both India and Pakistan laid great emphasis on creating a large private sector. In the light of the given statements, choose the correct alternative from the following:
(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

39. On the basis of the data given below, identify the incorrect statement with reference to annual growth of GDP (%): Annual Growth of Gross Domestic Product (%), 1980 - 2017 Country 1980 - 90 2015 - 2017 India 5.7 7.3 China 10.3 6.8 Pakistan 6.3 5.3
(a) Pakistan and China experienced a fall in growth rate during 2015-17.
(b) China achieved double-digit growth rate in 1980-1990.

(c) GDP of India accelerated moderately in 2015-2017 period.
(d) Pakistan was ahead of India during 1980-2017 in terms of GDP.

40. Read the following statements --- Assertion (A) and Reason (R). Choose one of the correct alternatives given below: Assertion (A) : The developmental experiences of India and Pakistan have a lot of similarities. Reason (R) : Both India and Pakistan laid emphasis on creating a large private sector.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

41. In the decade of 1970's, Pakistan nationalised its ____industry. (Fill up the blank with correct alternative.)

(a) Medical infrastructure
(b) Consumer goods
(c) Capital goods
(d) Foreign trade

42. From the events given in Column-I and facts given in Column-II about China, choose the correct pair: Column - I Column - II (a) Structural transformation (i) Limited Urbanisation (b) Great leap forward campaign (ii) Reduced global demand for Chinese products (c) Less stress of usage on natural (iii) Low density of population resources (d) Slowdown in GDP, since 2014 (iv) Aimed at massive industrialisation

(a) (a) -- (i)
(b) (b) -- (ii)
(c) (c) -- (iii)
(d) (d) -- (iv)

43. Read the following statements carefully: Statement 1: China has used Market system mechanism without loosing political commitment to create additional social and economic opportunities. Statement 2: India, Pakistan and China have similar physical endowments but totally different Political systems.

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

44. Britain maintained a monopoly control over India's exports and imports while the rest was allowed with a few other countries like____. (Choose the correct alternative to fill in the blank) (i) China (ii) Ceylon (Sri Lanka) (iii) Persia (Iran)

(a) Only (i)
(b) (i) and (ii)
(c) (ii) and (iii)
(d) (i), (ii) and (iii)

45. In 1965, Mao introduced the ____ under which students and professionals were sent to work and learn from the countryside. (Choose the correct alternative to fill in the blank)

(a) Great Leap Forward Campaign
(b) Commune System
(c) Great Proletarian Cultural Revolution
(d) Medium Term Development Plan

46. Under the economic reforms introduced in China in 1978, ____ were set up to attract foreign investors. (Choose the correct alternative to fill in the blank)

(a) Remittance Zones
(b) Land Zones
(c) Special Commune Zones

(d) Special Economic Zones

47. ____ is geographically the largest nation among India, China and Pakistan and its density is ____ among the three nations. (Choose the correct alternative to fill in the blanks)

(a) China, highest
(b) Pakistan, lowest
(c) India, lowest
(d) China, lowest

48. ____ measure introduced in China led to the decline in its population as well as sex ratio. (Choose the correct alternative to fill in the blank)

(a) Nationalisation of capital goods
(b) Denationalisation of capital goods
(c) One-child norm
(d) Two-child norm

49. ____ sector was the primary focus of the Great Leap Forward in China. (Fill up the blank with correct option) Options:

(a) Tax
(b) Industrial
(c) Financial
(d) Educational

50. Read the following statements carefully: Assertion (A) and Reason (R). Choose the correct option from those given below: Assertion (A): Prior to economic reforms, public investment in social infrastructure by China resulted in better Human Development Indicators (HDI). Reason (R): China is ahead of India and Pakistan on many Human Development Indicators (HDI). Options:

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

51. From the following terms given in Column-I, match the correct pair of meaning given in Column-II: Column-I Column-II (a) Human Development Indicator (i) Rule of Law (b) Demographic Indicator (ii) Constitutional Protection (c) Special Economic Zone (iii) Generation of additional economic activities (d) Commune System (iv) Collective industrialisation Options:

(a) (a) -- (i)
(b) (b) -- (ii)
(c) (c) -- (iii)
(d) (d) -- (iv)

52. Read the following statements carefully : Statement 1: In 1978, commune lands were divided into small plots to the individual households for cultivation. Statement 2: Under commune system, professionals were sent to work and learn from the country side. In the light of the given statements, choose the correct option from the following :

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both statements 1 and 2 are true.
(d) Both statements 1 and 2 are false.

53. Study the following image carefully : From the following, choose the correct option which indicates similarities in the policies of India and Pakistan, in the post-1947 period : (Choose the correct option)

(a) Dual pricing policy
(b) Commune system
(c) Import substitution

(d) Great Proletarian Cultural Revolution

54. Mao initiated the 'Great Leap Forward' movement in the year ____. (Choose the correct option to fill in the blank)

(a) 1951
(b) 1955
(c) 1958
(d) 1962

55. In China, under ____, peasants were provided with pooled land to create larger fields that could yield greater output and they shared farm implements. (Choose the correct option to fill in the blank)

(a) Joint Farming System
(b) Commune System
(c) Great Proletarian Cultural Revolution
(d) Green Revolution

56. Which of the following country/countries followed the Five-Year Planning structure of economic development? (Choose the correct option) (i) India (ii) China (iii) Pakistan (iv) USA Options:

(a) (i), (ii) and (iii)
(b) (ii) and (iii)
(c) (i) and (iv)
(d) Only (iv)

57. Recently, India hosted and chaired the summit of ____ one of the regional and economic groupings. (Choose the correct option to fill in the blank)

(a) SAARC
(b) G8
(c) ASEAN
(d) G20

58. ____ is one of the demographic indicators in which Pakistan is ahead of India and China. (Choose the correct option to fill in the blank)

(a) Urbanisation
(b) Fertility rate
(c) Population density
(d) Sex ratio

59. In 2018, Pakistan implemented its ____ five year development plan. (Choose the correct alternative to fill in the blank) th

(a) 10
(b) 11th
(c) 12th
(d) 13th

60. Read the following statements : Assertion (A) and Reason (R) carefully. Choose the correct alternative from those given below: Assertion (A): India and Pakistan adopted many similar strategies for their respective economic developmental paths. Reason (R): In late 1970s, India and Pakistan came up with the policy of denationalisation of capital goods industries.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is true, but Reason (R) is false.
(d) Assertion (A) is false, but Reason (R) is true.

61. Arrange the following events in China's economic development history in correct chronological sequence and select the correct option: I. Great Proletarian Cultural Revolution. II. Great leap forward III. Introduction of Economic Reforms IV. Launch of the First Five Year Plan Options:

(a) II, IV, III, I
(b) IV, II, I, III
(c) II, IV, I, III
(d) IV, I, II, III

62. China adopted ____ strategy in which farmers and industries bought and sold certain quantities at government fixed prices, while remaining transactions occurred at market prices. (Choose the correct option to fill in the blank) Options:

(a) Dual Pricing
(b) Special Economic Zones
(c) Great Proletarian Cultural Revolution
(d) Great Leap Forward

63. Read the following text carefully: "Between 1966 -- 67, Mao introduced this movement under which professionals and students were asked to work and learn from the countryside of China." Identify the correct option with reference to the aforesaid text.

(a) Commune System
(b) Great Leap Forward
(c) Open Door Policy
(d) Great Proletarian Cultural Revolution

64. Identify the correct option with reference to the following statement: "Farmers and industrial units were required to transact fixed quantities of raw materials and finished goods on the basis of prices fixed by the government, while the rest were purchased and sold at market price." Options:

(a) Great Leap Forward
(b) Dual Pricing Policy
(c) Special Economic Zones (SEZs)
(d) Commune System

65. From the set of terms given in Column I and the corresponding facts given in Column II, choose the correct pair: Column I Column II a. Great Leap Forward i. Students and professionals were sent to the countryside b. Great Proletarian ii. Aimed at bringing changes in Cultural Revolution agriculture and industry c. Economic Reforms iii. Aimed at nationalisation of in China capital good industries d. Establishment of iv. All critical sectors were brought People's Republic of under government control China Options:

(a) a-i
(b) b-ii
(c) c-iii
(d) d-iv

66. India is NOT a member of which of the following regional/global economic grouping?

(a) BRICS
(b) SAARC
(c) G-20
(d) G-7

67. The extent of constitutional protection of the independence of the Judiciary and the Rule of Law, is an example of ____ indicator. (Choose the correct alternative to fill in the blank)

(a) economic growth
(b) liberty
(c) human destruction

(d) human values

68. Read the following statements carefully: Statement 1: India has been the front runner of advocating the interests of the developing world. Statement 2: Keeping its commitment, India has not removed the quantitative restrictions. In the light of the given statements, choose the correct alternative from the following:

(a) Statement 1 is true and Statement 2 is false.
(b) Statement 1 is false and Statement 2 is true.
(c) Both Statements 1 and 2 are true.
(d) Both Statements 1 and 2 are false.

69. Nations worldwide typically establish Regional and Global economic groups in order to ____. (Choose the correct option to fill in the blank) Options:

(a) Strengthen their economies
(b) Ensure liberty
(c) Promote judicial independence
(d) Gain control over other countries

70. Identify, which of the following is an income indicator. (Choose the correct option) Options:

(a) Mortality rate
(b) Malnourishment
(c) GDP per capita
(d) Morbidity rate

71. Working persons engaged in various industrial divisions can be classified into three major sectors --- Primary sector, secondary sector and tertiary sector. Identify, which of the following option demonstrates the primary sector.

(a) Agriculture
(b) Agriculture, mining and quarrying
(c) Agriculture, electricity, gas and water supply
(d) Transport and storage

Answer Key

1. (a) 2. (c) 3. (a) 4. (b) 5. (a)
6. (b) 7. (d) 8. (d) 9. (c) 10. (d)
11. (c) 12. (a) 13. (c) 14. (a) 15. (a)
16. (c) 17. (a) 18. (a) 19. (b) 20. (c)
21. (a) 22. (d) 23. (b) 24. (b) 25. (d)
26. (b) 27. (d) 28. (c) 29. (b) 30. (c)
31. (b) 32. (b) 33. (a) 34. (d) 35. (c)
36. (c) 37. (b) 38. (a) 39. (d) 40. (c)
41. (c) 42. (c) 43. (c) 44. (d) 45. (c)
46. (d) 47. (d) 48. (c) 49. (b) 50. (b)
51. (c) 52. (a) 53. (c) 54. (c) 55. (b)
56. (a) 57. (d) 58. (b) 59. (c) 60. (c)
61. (b) 62. (a) 63. (d) 64. (b) 65. (d)
66. (d) 67. (b) 68. (a) 69. (a) 70. (c)
71. (b)